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Mr Kevin Stevenson
Chairman
Australian Accounting Standards Board
PO Box 204 Collins Street West
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Dear Mr Stevenson

**ED 200A PROPOSALS TO HARMONISE AUSTRALIAN AND NEW ZEALAND
STANDARDS IN RELATION TO ENTITIES APPLYING IFRS AS ADOPTED IN
AUSTRALIA AND NEW ZEALAND**

AND

AASB ED 200B PROPOSED SEPARATE DISCLOSURE STANDARDS

The Heads of Treasuries Accounting and Reporting Advisory Committee welcomes the opportunity to provide comments to the Australian Accounting Standards Board on Exposure Draft 200A *Proposals to Harmonise Australian and New Zealand Standards in Relation to Entities Applying IFRSs as Adopted in Australia and New Zealand* and Exposure Draft 200B *Proposed Separate Disclosure Standards*.

HoTARAC broadly supports the harmonisation process where it affects entities that operate in both jurisdictions, and believes that the resultant benefits outweigh any increased costs. However, HoTARAC members have concerns about certain proposals that will affect not-for-profit entities:

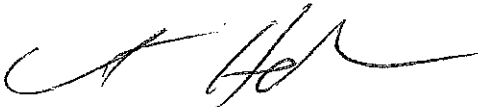
- HoTARAC does not support deleting the definition of "entity" from AASB 101, even though it would be retained in SAC 1. Pending the completion of various projects on the reporting entity concept, and as long as this concept is required to be applied, HoTARAC believes it is necessary to retain this definition;
- HoTARAC does not support deleting the requirement to provide a reconciliation of cash flows from operating activities to profit or loss from AASB 107. The reconciliation provides useful information and assurance that the Cash Flow Statement has been correctly derived;

- HoTARAC believes that a separate/additional Australian-specific Standard would result in inefficiencies for preparers and auditors in locating all relevant disclosure requirements for a given topic. This could be avoided by retaining "Aus" paragraphs within the relevant topic-based Standards/Interpretations;
- HoTARAC is concerned that certain current New Zealand-specific requirements might be introduced in Australia in future to further promote convergence, such as, New Zealand's requirement for a Statement of Service Performance. HoTARAC believes this would not be appropriate, pending further review of performance information requirements; and
- there are mixed views from HoTARAC regarding the deletion of the requirement for a commitments schedule. One jurisdiction noted that the Reduced Disclosure Requirements Standard does not require disclosure of commitments. However, other jurisdictions believe that the deletion may require a regulatory response for those jurisdictions wishing to continue requiring commitments disclosure.

Comments by HoTARAC on questions from the Exposure Drafts are in Attachment 1.

If you have any queries on HoTARAC's comments, please contact Barbara Richardson at New South Wales Treasury on (02) 9228 4832.

Yours sincerely



Grant Hehir

CHAIR

HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY COMMITTEE

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Questions Applicable to All Proposals

(a) Do you agree with the concept of harmonising the reporting requirements in Australia and New Zealand in relation to for-profit entities applying IFRSs as adopted in Australia and New Zealand.

Yes, however, HoTARAC is concerned that certain current New Zealand-specific requirements might be introduced in Australia in future to further promote convergence, such as, New Zealand's requirement for a Statement of Service Performance. HoTARAC believes this would not be appropriate, pending further review of performance information requirements.

(b) Should the retained additional disclosures be contained in a separate disclosure standard (as proposed) or contained with each Standard relevant to the topic of the disclosures (which is the current practice)?

The majority of HoTARAC members believe the current practice of each topic-relevant Standard containing additional disclosures should be continued.

A separate/additional Australian specific Standard would result in inefficiencies for preparers and auditors in locating all relevant disclosure requirements for a given topic. This would be avoided through retaining "Aus" paragraphs within the relevant topic-based Standards/Interpretations.

The retained additional domestic disclosures result in disclosure requirements for for-profit entities over and above the corresponding IASB Standard/Interpretation. Also, it appears that the Reduced Disclosure Requirements currently displayed in individual AASB topic-based Standards/Interpretations will remain. Therefore, any objective to have Standards/Interpretations that exactly mirror the content of the corresponding IASB pronouncement may not be achieved in the foreseeable future.

If the AASB proceeds with the separate disclosures Standard, bearing in mind the scope of future planned phases of this Project, the majority of HoTARAC members believe that it would be more useful if the content of that Standard was ultimately organised according to which entities are affected by the various requirements; such as all entities, all not-for-profit entities and all not-for-profit public sector entities. However, some jurisdictions consider that a subject matter structure may be more appropriate.

(c) Do you agree with the specific proposals in this Exposure Draft regarding alignments, deletions, relocations and relocation and harmonisations? Please provide reasons supporting your response.

HoTARAC agrees with the principles adopted in determining the proposals, such as, alignment, deletion, relocation and harmonisation and agrees that the deletion of explanatory guidance would not affect practice. However, there are a few exceptions:

- HoTARAC does not agree with deleting the definition of "entity" to align with IAS 1 *Presentation of Financial Statements*. Although there is no definition under IFRSs, HoTARAC disagrees that there is no longer a need for a specific definition under

AASB Standards. Pending completion of other projects on the reporting entity concept, and while references to the reporting entity still appear in the application paragraphs of AASB Standards, HoTARAC believes the definition of "entity" should be retained. If there is to be a separate disclosure Standard, it can be relocated to that Standard; and

- HoTARAC does not agree with deleting the requirement to provide a cash flow reconciliation as it would result in the removal of useful information and assurance that the Cash Flow Statement has been correctly derived. HoTARAC notes that the latest IASB/AASB staff draft on financial statement presentation proposes to introduce this requirement for transparency. Again, if there is to be a separate disclosure Standard, it can be relocated to that Standard.

(d) Which of the disclosures proposed to be included in separate disclosure standards AASB ED 200B should be required of entities applying differential reporting requirements? Please provide reasons for your response.

No comment.

(e) Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals? Please provide reasons for your response.

Some HoTARAC members believe that the deletion of a commitments schedule may require a regulatory response for those jurisdictions wishing to continue requiring disclosure on commitments.

(f) Do you consider that the proposed amendments are in the best interests of users of general purpose financial statements of entities in Australia and New Zealand? Please provide reasons for your response.

No Comment.