



Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

2 February 2011

The Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street
West VICTORIA 8007

Tier 2 Supplement for ED 202R Leases and Tier 2 Supplement for ED 198 Revenue from Contracts with Customers

Dear Mr Stevenson

Ernst & Young Australia is pleased to provide our comments on the AASB's Exposure Drafts Tier 2 Supplement for ED 202R Leases and Tier 2 Supplement for ED 198 Revenue from Contracts with Customers (the 'Exposure Drafts'). Please note that we have not formally responded to the Tier 2 Supplement to ED204 *Deferred Tax: Recovery of Underlying Assets* due to the final amendments to AASB 112 removing the proposed additional disclosure.

While we applaud the Board's efforts to establish Tier 2 reduced disclosure requirements and continue to support the process, we have reservations around the timing of the Exposure Drafts. We consider it inefficient to have Exposure Drafts open for comment until the IASB and AASB ('the Boards') have finalised deliberations on the relevant projects, due to the high potential for changes. In particular, we note that many constituents (including Ernst & Young) who have responded to the Board's leases and revenue projects (IASB ED/2010/9 *Leases* and IASB ED/2010/6 *Revenue from Contracts with Customers*) have questioned the cost/benefit analysis of the proposed disclosures. Therefore, we believe it is likely that changes will be made to these proposals, as we have seen happen with previous projects.

Should the AASB continue with this process, we believe a second exposure draft will be needed in order to address any changes that the Board will ultimately include in a final standard applicable for Tier 1 entities.

We also note that the Board's stated principle for determining disclosures for Tier 2 entities is to refer to the disclosures required by the IFRS for SME. We understand it is the intention of the IASB to revise IFRS for SME every two years for changes made to other IFRS, and accordingly, under the Board's principle, this may require a further revision to the disclosure requirements for Tier 2 entities, within a relatively short period.

As an alternative, we propose that the AASB only issue Tier 2 Supplement exposure drafts after the Tier 1 standard has been finalised by the IASB.

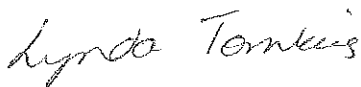
For major revisions, such as Revenue Recognition or Leases, that have a long lead time and the IASB is due to update the IFRS for SME standard prior to the standard becoming effective - we recommend that the AASB wait until the IFRS for SME standard is updated. While this may have consequences for those Tier 2 entities that wish to early adopt these standards (ie no disclosure relief) we believe that overall this will be a more efficient use of resources.

For standards with short lead times and minor amendments, such as the recent IAS 12 amendments - we suggest that the AASB update the Tier 2 requirements as and when the AASB issue their IASB equivalent standard.

Consequently, we have not included detailed comments on individual disclosure items proposed in the Exposure Drafts. We are happy to provide copies of our letters submitted to the IASB on their exposure drafts should you wish. If the Board continues with this process, we would like the opportunity to discuss with the AASB Board or staff our views on the specific proposals as the IASB project nears completion.

Please contact Lynda Tomkins (lynda.tomkins@au.ey.com, direct (02) 9276 9605) or Martin Olde (martin.olde@au.ey.com, direct (02) 9248 5636) if you wish to discuss any of the matters raised in this response.

Yours sincerely



LYNDA TOMKINS PARTNER
Ernst & Young