

2 February 2011

Mr Kevin Stevenson  
Chairman  
Australian Accounting Standards Board  
Level 7  
600 Bourke Street  
Melbourne VIC 3000

Dear Kevin

**Exposure Drafts ED 198 and 202R: proposed amendments related to Tier Two disclosures under the Reduced Disclosure Regime**

CPA Australia, The Institute of Chartered Accountants (The Institute) and the National Institute of Accountants (NIA) (the Joint Accounting Bodies) are pleased to respond to the request for comments from the Australian Accounting Standards Board (AASB) on the two exposure drafts related to the establishment of Tier Two disclosures under the Reduced Disclosure Regime (RDR) for proposed standards on leasing and revenue from contracts with customers.

The Joint Accounting Bodies represent over 190,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally. The exposure drafts have been considered by the Joint Accounting Bodies and our remarks follow. Given the remarks that follow, we have not commented on the detail of the proposed disclosures.

**General Remarks**

The Joint Accounting Bodies have evaluated the two exposure drafts and its policy intent with reference to the AASB's previously stated position that the RDR disclosures will be based on the standard issued by the International Accounting Standards Board (IASB) known as International Financial Reporting Standards (IFRS) for Small-to-Medium Enterprises (SMEs). We note this policy applies when the recognition and measurement accounting policy options available under the RDR align with those under the IFRS for SMEs.

While the Joint Accounting Bodies understand the AASB's objective in issuing EDs 198 and 202R is to ensure that standards issued by the AASB contain Tier Two requirements we have serious reservations about the issuing of these EDs as it exposes the domestic standard setter to a series of risks and inefficiencies.

These risks and inefficiencies include:

- RDR disclosure decisions based on an IASB Exposure Draft (ED) and not a final standard: Disclosures contained in the final issued standard by the IASB are often different to those contained in the relevant ED. Proposing RDR disclosure decisions based on an ED, will often result in unnecessary additional steps in the due process considerations of constituents, AASB staff and the Board itself.

Representatives of the Australian Accounting Profession



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The Institute of  
Chartered Accountants  
in Australia

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[nia.org.au](http://nia.org.au)

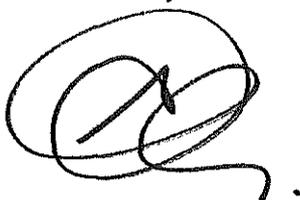
- RDR disclosure different to that required in IFRS for SMEs: There is a risk that the AASB will need further due process once the IFRS for SMEs disclosures are updated every three years. Changing disclosures applicable to non-publicly accountable entities on a frequent basis is likely to cause frustration and confusion amongst constituents.

We recommend the AASB reconsider its due process in regard to introducing RDR disclosures. We have a strong preference to review such disclosures in one due process, rather than possibly reviewing them several times. Where application dates are well into the future, we consider it appropriate that the AASB would provide input into the IASB's review of IFRS for SMEs disclosures and adopt the IFRS for SME disclosures once they are introduced.

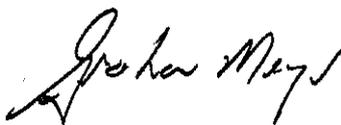
Further, we encourage the AASB to make the case to the IASB of the benefits to all that would flow were the IASB to consider proposed IFRS for SME disclosures in conjunction with the disclosures relevant to the full IFRS standards. This would assist in development of RDR disclosures, especially if the application date for the standard is quite short.

If you have any questions regarding this submission, please do not hesitate to contact either Mark Shying (CPA Australia) at [mark.shying@cpaaustralia.com.au](mailto:mark.shying@cpaaustralia.com.au), Kerry Hicks (The Institute) at [kerry.hicks@charteredaccountants.com.au](mailto:kerry.hicks@charteredaccountants.com.au) or Tom Ravlic (NIA) at [tom.ravlic@nia.org.au](mailto:tom.ravlic@nia.org.au).

Yours sincerely



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