ED205 sub 1

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23 DEC 2010

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

ED 205 *Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation*

The Heads of Treasuries' Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to respond to the Board's Exposure Draft ED 205 *Extending relief from Consolidation, the Equity Method and Proportionate Consolidation.*

HoTARAC supports the proposals. It is appropriate to extend to those compliant with Australian Accounting Standards the relief currently available to those compliant with International Financial Reporting Standards, since the relevant issue in this instance is whether there would be an overall loss of information reported by a group of reporting entities.

HoTARAC also requests that the AASB review Table A included in the "Basis for Conclusions" of the Exposure Draft. There appear to be inconsistencies between the current and proposed requirements as described in the Exposure Draft and AASB 127, and the summary in Table A in the 'Basis for Conclusions' section. The specific inconsistencies are detailed in Appendix A for your consideration.

Please contact Peter Gibson 02 6215 3551 at the Commonwealth Department of Finance and Deregulation if you would like to discuss any of the matters raised by HoTARAC.

Yours sincerely

Grant Hehir
CHAIR
HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY COMMITTEE

December 2010

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Table A in the "Basis for Conclusions"

HoTARAC requests that the AASB review Table A in the "Basis for Conclusions" of the Exposure Draft. It is not clear whether it is entirely correct to conclude, in respect of the first scenario in each of Situations 1 – 4, that this exemption is already available under AASB 127 (as implied in the footnote to Table A). Any for-profit public sector entities would arguably not be complying with pure IFRS (as currently required by AASB 127).

Following on from this point, exemptions would still not be allowed under the proposed amendments for the following two scenarios (ignoring the impression that may otherwise be given by Table A) –

	(variant of situation 1)	*(variant of situation 2)*
Ultimate or intermediate parent	FP public sector – Tier 1	FP public sector – Tier 1
Parent	FP public sector – Tier 1	FP public sector – Tier 2

In both of these scenarios, it would arguably be reasonable to allow an exemption to the lower level parent, for consistency with the principle underlying other scenarios. If the published result is intentional, it is suggested that the "Basis for Conclusions" reflect this.

In addition, HoTARAC suggests that the AASB include a note in the "Basis for Conclusions" explaining the rationale for all the five scenarios where the exemption is not available following the amendments. This will provide further useful information to users.