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

ED207 - Amendments to AASB 7: Tier 2

Dear Mr Stevenson

Ernst & Young Australia is pleased to provide our comments on the AASB's Exposure Draft 207 *Amendments to AASB 7: Tier 2 (ED 207)*.

We agree with the proposals to provide exemption from most of the additional disclosures in AASB 2010-6, AASB 2010-7 and the consequential amendments to AASB 101, however we do have some comments set out in our response to Question 1.

We would be pleased to discuss our comments further with you. Please contact Lynda Tomkins (lynda.tomkins@au.ey.com, direct (02) 9276 9605) if you wish to discuss any of the matters raised in this response.

Yours sincerely

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

1. Whether we agree with the AASB7 disclosure proposals for Tier 2.

We agree with the proposals in ED207 for reduced disclosure requirements for Tier 2 entities except in relation to the following matters.

In relation to paragraph 42A we disagree with the proposal as this paragraph is explanatory in nature and is necessary for preparers in complying with the disclosure requirements in the rest of paragraph 42, which will remain applicable for Tier 2 entities.

We also disagree with the proposal to not require the disclosure in paragraph 42B(b). We believe this could result in the non-disclosure of significant risks to which an entity is exposed. We believe users would find this information useful when an asset is derecognised but an entity retains risk due to its continuing involvement. Similarly we recommend that paragraph 42E(c) should also be required to provide information to users on the maximum potential loss from continued involvement in derecognised assets. We do not believe that the costs involved in providing this disclosure will be onerous for preparers.

We disagree with the proposal not to require paragraph 82(aa) of AASB 101 (gains/losses on derecognition of financial assets at amortised cost). If this amount was a significant contribution to profit or loss for the period we believe it should be disclosed.

2. Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:

- (i) not-for-profit entities; and
- (ii) public sector entities;

We are not aware of any issues that may affect the implementation of the proposals by not-for-profit entities nor public sector entities.

3. Whether, overall, the proposals would result in financial statements that would be useful to users;

Except for the comments noted above in question 1 we believe that the proposals will result in financial statements that are useful to users.

4. Whether the proposals are in the best interests of the Australian economy;

We believe these proposals are in the best interests of the Australian economy subject to our comments in question 1.

5. Unless already provided in response to specific matters for comment 1 - 4 above, the costs and benefits of the proposals, whether quantitative (financial or non-financial) or qualitative.

The proposals mean that most of the new disclosure requirements introduced into AASB 7 will not be required by Tier 2 entities. The proposed disclosures applicable for Tier 2 entities we believe provide useful information to users about the activities of the entity and the risks without imposing a burden on preparers.