

8 March 2011

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

Dear Kevin

**Exposure Draft ED 207: Amendments to AASB 7: Tier 2**

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 exposure draft related to the establishment of Tier 2 disclosures under the Reduced Disclosure Regime (RDR) for *AASB 7 Financial Instruments: Disclosures*.

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 draft has been considered by the Joint Accounting Bodies and our observations are contained in the attached appendix.

The Joint Accounting Bodies have evaluated the exposure draft 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.

RDR disclosures will not always be the same in nature or quantum as those in IFRS for SMEs. This is especially true in areas where the IASB is yet to decide on the level of disclosure that might apply in IFRS for SMEs in the context of a new or revised accounting standard.

While the Joint Accounting Bodies understand the AASB's objective in issuing the exposure draft is to ensure that standards issued by the AASB contain Tier 2 requirements, we note that this approach can lead to inefficiencies in standard setting. The AASB may be required to alter some of its agreed disclosure requirements shortly thereafter to parallel the disclosure requirements of a later version of the IFRS for SMEs standard.

Representatives of the Australian Accounting Profession



[cpaaustralia.com.au](http://cpaaustralia.com.au)



The Institute of  
Chartered Accountants  
in Australia

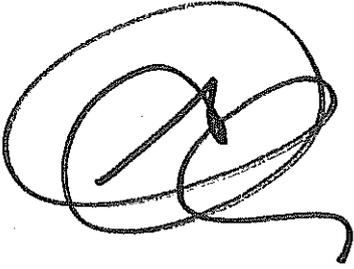
[charteredaccountants.com.au](http://charteredaccountants.com.au)



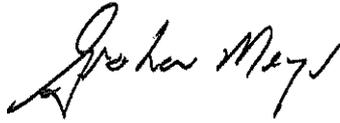
[nia.org.au](http://nia.org.au)

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



Alex Malley  
Chief Executive Officer  
CPA Australia Ltd



Graham Meyer  
Chief Executive Officer  
Institute of Chartered  
Accountants in Australia



Andrew Conway  
Chief Executive Officer  
National Institute of  
Accountants

## **Appendix: Comments on specific questions**

The Joint Accounting Bodies agree the AASB has followed its principles for RDR and in this context the reduction in disclosure is welcome. An issue about which the AASB will need to continue to be mindful is that this quantum can be subject to change depending on any future work done by the international standard setter on IFRS for SMEs.

### **Specific remarks on costs and benefits**

We expect that some preparers choosing to use RDR rather than reporting in accordance with the full suite of IFRS will incur less cost in the preparation of financial statements.

### **Impact on not-for-profits and public sector entities**

It is expected that those entities permitted to use RDR in the not-for-profit and public sectors will have a reduction in disclosure where they currently provide the details required by AASB 7 in their financial statements. No other regulatory issues have come to the attention of the Joint Accounting Bodies at the time of writing.

### **Consultation with the IASB on disclosures**

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 and reduce the capacity for difference between the two bodies of standards..

### **Benefit to the Australian economy**

We consider that the proposals will benefit the Australian economy.