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

**Exposure Draft 215 Mandatory Effective Date of IFRS 9 Proposed
Amendments to AASB 9 (December 2009) and AASB 9 (December 2010)**

Dear Mr Stevenson

Ernst & Young Australia is pleased to provide our comments on the AASB's Proposed Amendments to AASB 9 (December 2009) and AASB 9 (December 2010) (the 'Exposure Draft').

The global organisation of Ernst & Young will be submitting a letter to the IASB commenting on our overall views about the ED and responding to the questions raised by the IASB. Accordingly, our responses in the Appendix are limited only those questions specific to the application of the proposals in Australia (questions 2 to 5). We will forward to you a copy of Ernst & Young's letter when it is submitted to the IASB.

One issue that is of concern to us is the transition requirements when IFRS 9 is first applied. Section 7.2 requires that the standard is to be applied to financial assets based on the facts and circumstances at the date of initial application. However due to the way the date of initial application is defined, this causes an anomaly in the preparation of the comparative information. This is discussed in more detail in question 5 in the Appendix.

Please contact either Lynda Tomkins (lynda.tomkins@au.ey.com or (02) 9276 9605) or Steven Cunico (steven.cunico@au.ey.com or (03) 9288 8094) if you wish to discuss any of the matters raised in this response.

Yours sincerely

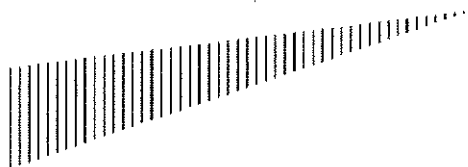
A handwritten signature in black ink, appearing to read 'L. Tomkins'.

Ernst & Young

Appendix

The AASB has requested comments on the following questions:

Question	Response	Reason
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: (a) not-for-profit entities; and (b) public sector entities;	No	Since this proposal relates to a delay in the mandatory effective date and not to the principles in the standard, we do not anticipate any major impact on these entities. Some entities may have already adopted AASB 9, however insofar as early adoption continues to be available under the proposals we do not foresee that this will affect these entities.
3. Whether there are any implications for GAAP/GFS harmonisation;	No	Since this proposal relates to a change in mandatory effective date and not to the principles in the standard, we are not aware of any implications for GAAP/GFS harmonisation.
4. Whether the proposals are in the best interests of the Australian economy;	Yes	This allows entities more time to adopt the standard. However, we note the issue outlined below.
5. Unless already provided in response to specific matters for comment 1 - 4 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or nonfinancial) or qualitative.	Refer right	<p>Section 7.2 requires that IFRS 9 is not applied to financial assets that are derecognised 'at the date of initial application' and requires assets to be classified based on the facts and circumstances 'at the date of initial application'. Whilst we understand that this requirement was intended to provide some transition relief the definition of 'date of initial application' hinders the effective application of the standard.</p> <p>This is due to entities being unable to prepare the comparative information prior to the beginning of the reporting period in which IFRS 9 is adopted (i.e., the date of initial application).</p> <p>For example, entities adopting the standard on 1 January 2015 will not be able to prepare comparative information for 2014 until after 1 January 2015 (the date of initial application).</p> <p>To comply with this requirement, entities need to analyse, after the fact, the financial assets as at date of initial application so that IFRS 9 is not applied to assets derecognised prior to that date. That is, entities would need to produce a restated balance sheet as at the beginning of the comparative period,</p>



		<p>distinguishing between assets that are still held at the date of initial application and those that were derecognised prior to that date. This is necessary in order to determine the opening retained earnings adjustment as at the beginning of the comparative period and the fair value changes or gain/loss during the comparative period.</p> <p>We suggest that the Board reconsider the transition requirements to require entities that do not early adopt the standard to use as the date of initial application the beginning of the earliest comparative period presented rather than the beginning of the year IFRS 9 is adopted. This would enhance comparability and allow entities to produce comparative figures by applying IFRS 9 in parallel during the comparative period.</p>
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