

22 February 2013

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

## **Exposure Draft 228 *Equity Method: Share of Other Net Asset Changes***

Dear Mr Stevenson

Ernst & Young Australia is pleased to provide our comments on the AASB's Exposure Draft 228 *Equity Method: Share of Other Net Asset Changes*.

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. We will forward to you a copy of Ernst & Young's letter when it is submitted to the IASB.

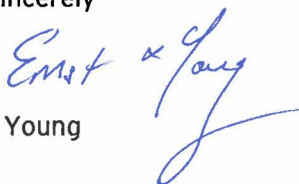
In summary, we do not support the proposals, principally for the following reasons:

1. We do not believe there is a conceptual basis for recognising these transactions as equity transactions of the investor;
2. We do not believe that there is any conceptual basis for subsequently reclassifying items initially recognised as equity transactions to profit and loss. We note that this conflicts with the principle in AASB 101 that only items of income and expense are reclassified from other comprehensive income to profit and loss; and
3. We believe that the proposals will amend the accounting for certain transactions - such as deemed disposals - for which there is currently little or no diversity in practice.

We do not believe that there are any specific regulatory or other issues in the Australian environment arising from the proposed amendments to the not-for-profit and public sector entities.

We would be pleased to discuss our comments further with you. Please contact either Charles Feeney ([charles.feeney@au.ey.com](mailto:charles.feeney@au.ey.com) or (02) 9248 4665) or Lynda Tomkins ([lynda.tomkins@au.ey.com](mailto:lynda.tomkins@au.ey.com) or (02) 9276 9605) if you wish to discuss any or the matters raised in this response.

Yours sincerely



Ernst & Young