



Mr Kevin Stevenson  
 Chairman  
 Australian Accounting Standards Board  
 PO Box 204, Collins Street  
 WEST VICTORIA 8007

By Email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

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Grant Thornton Australia Limited  
 ABN 41 127 556 389

Level 17, 383 Kent Street  
 Sydney NSW 2000  
 Locked Bag Q800  
 QVB Post Office  
 Sydney NSW 1230

T +61 2 8297 2400  
 F +61 2 9299 4445  
 E [info.nsw@au.gt.com](mailto:info.nsw@au.gt.com)  
 W [www.grantthornton.com.au](http://www.grantthornton.com.au)

Dear Kevin

## **Exposure Draft ED 233 – Australian Additional Disclosures – Investment Entities (proposed amendments to AASB 1054)**

Grant Thornton Australia Limited (Grant Thornton) is pleased to provide the Australian Accounting Standards Board with its comments on ED 233 Australian Additional Disclosures – Investment Entities (proposed amendments to AASB 1054) (the ED). We have considered the ED, as well as the accompanying draft Basis for Conclusions.

Grant Thornton's response reflects our position as auditors and business advisers to the Australian business community. We work with listed and privately held companies, government, industry, and not-for-profit organisations (NFPs). This submission has benefited with input from our clients, Grant Thornton International, and discussions with key constituents.

We do not support the proposed amendments and instead believe that the AASB should immediately issue the October 2012 amendments to IFRS 10, IFRS 12 and IAS 27 that apply to Investment Entities.

Our reasons are as follows:

- (a) ED 233 is not consistent with International Financial Reporting Standards as it requires additional disclosures that the International Accounting Standards Board (IASB) did not consider necessary when it issued its Investments Entities standard;
- (b) These additional Australian only disclosures increase costs to Australian organisations and in Grant Thornton's view (and the IASB that has responsibility for IFRS) are not needed, and hence add to increased Red Tape business compliance costs which is contrary to the Government's policy to reduce unnecessary Red Tape;
- (c) The AASB has not provided a cost/benefit analysis of the impact that ED 233 will have and this is needed under Section 231 (1) of the ASIC Act 2001 before a AASB accounting standard is issued, and Section 231 (2) requires this cost/benefit

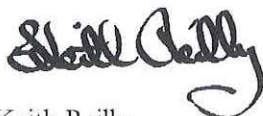
analysis on a draft accounting standard (i.e. ED 233). Grant Thornton does not believe that the AASB's reasons for issuing ED 233 which require additional disclosures to the IASB's Investments Entities accounting standard are needed for Australian legal or institutional environment. We also note that from Grant Thornton's review of the 15 submissions made on ED 220 that dealt with the then draft amendments to Investment Entities issued by the IASB (ED 2011-14), 14 of the submissions specifically commented on whether there should be additional Australian disclosures and 11 (79%) were opposed to such additional disclosures. On that basis we find it surprising that the AASB made no attempt to justify additional disclosures on a cost/benefit basis before releasing ED 233 for comment; and

- (d) If the AASB issues ED 233 as a AASB accounting standard, and we note that a majority of AASB members approved the issue of ED 233, or the AASB does not issue the IASB's October 2012 approved Investment Entities amendments, we would support the Government directing the AASB under Section 233 of the ASIC Act to adopt international accounting standards issued by the IASB. Grant Thornton believes that this is necessary to ensure that Australian Investment Entities are able to be IFRS compliant without any additional and un-necessary Australia only disclosures which the IASB does not consider necessary.

If you require any further information or comment, please contact me.

Yours sincerely

GRANT THORNTON AUSTRALIA LIMITED



Keith Reilly

National Head of Professional Standards

**A.**  
**AASB invitation to comment questions**

**Question 1**

**The appropriateness of the proposed Australian additional disclosures and whether such disclosures are warranted;**

Grant Thornton does not believe that the proposed disclosures are appropriate or warranted. The IASB has determined that there should be an exemption from consolidation in certain instances for Investment Entities and has determined that the Australian proposed disclosures are not needed. There is therefore no reason why Australian businesses should be subject to additional disclosures that are at a cost.

**Question 2**

**Whether there are any alternative approaches/disclosure strategies that can be employed to minimise the adverse impact on decision-making of the loss of consolidation information;**

Grant Thornton does not believe that there is a need for any additional disclosures as the IASB has determined that the Investment Entities amendments are appropriate as is.

**Question 3**

**If the AASB's proposals proceed, whether you agree with not providing relief to Tier 2 entities from any of the proposed Australian additional disclosure requirements;**

Grant Thornton does not support the additional requirements for either Tier 1 or Tier 2 entities.

**Question 4**

**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**

As detailed in the covering letter, Grant Thornton does not support the ED 223 proposals and is not aware of any particular Australian regulatory or environmental issues that would support such disclosures.

**Question 5**

**Whether, overall, the proposals would result in financial statements that would be relevant to users.**

As detailed in the covering letter, Grant Thornton does not believe that the ED 223 proposals would have any relevance users.

#### **Question 6**

**Whether the proposals are in the best interests of the Australian economy.**

As detailed in the covering letter, Grant Thornton is strongly of the view that the ED 233 proposals are not in the best interests of the Australian economy.

#### **Question 7**

**Unless already provided in response to specific matters for comment 1 – 6 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative.**

Given the comments in the covering letter, Grant Thornton is surprised that the AASB is seeking a cost/benefits analysis when the AASB has not undertaken such a process. Any additional disclosures come at a cost and as such disclosures are not required by the AASB, Grant Thornton sees no benefit in such disclosures.