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Kris Peach
The Chair
Australian Accounting Standards Board
PO BOX 204
Collins Street West
Victoria 8007
24 November 2014

Dear Kris

Exposure Draft ED 255 – Financial Reporting Requirements for Australian Groups with a Foreign Parent

Deloitte Touche Tohmatsu Limited is pleased to respond to the Australian Accounting Standards Board's (the Board) Exposure Draft *Financial Reporting Requirements for Australian Groups with a Foreign Parent* ('the exposure draft').

We support the Board's effort to improve financial reporting; however, we are not supportive of the exposure draft.

Our preferred approach would be to retain the wording in AASB 128 (2011) paragraph 17 (d) without amendment and to delete paragraph Aus4.2 from AASB 10, such that the AASB standards are more aligned with those of the IFRS standards.

We believe that the Board's initial concerns around limiting the impact of the IFRS scope exclusion (*where the concern was that it seemed inappropriate for the reporting obligations of an ultimate Australian Group to depend on the type of reporting done by its foreign parent*) is in fact not sufficiently significant to warrant an additional reporting burden on Australian intermediate parent entities, compared to intermediate parent entities in other IFRS jurisdictions.

We believe that the time and costs involved in implementing the additional reporting obligations on Australian intermediate parent entities is not justified or supported by the benefits of such additional reporting obligations.

Inversely, we believe that significant costs and time would be saved by the Australian economy by aligning the AASB reporting requirements with those of the IFRS reporting requirements and we believe that alignment with the IFRS standards should be the objective of the Board.

We believe that there is no current need by the Australian economy to warrant differential reporting obligations different to those which are required under the IFRS standards in this regard. IFRS

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reporting requirements continue to adequately address the needs of users of the financial statements and continue to be applied by a number of jurisdictions.

Whilst we are not supportive of the exposure draft, we are supportive of obtaining a position where AASB 10 and AASB 128 are consistent in relation to this particular topic.

Our detailed responses to the questions in the exposure draft are included in the Appendix to this letter.

Yours sincerely

A handwritten signature in black ink that reads "Alison White". The signature is written in a cursive, flowing style.

Alison White
Partner – Accounting Technical
Deloitte Touche Tohmatsu

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Appendix

Question 1: Do you agree with the proposal to require the ultimate Australian parent entity to apply the equity method in accounting for an interest in an associate or joint venture:

Response: No we do not agree for the reasons stated above. Our preferred approach would be to retain the wording in AASB 128 (2011) paragraph 17 (d) without amendment and to delete paragraph Aus4.2 from AASB 10, such that the AASB standards are more aligned with those of the IFRS standards.

Question 2: Do you agree with the proposed transitional provisions and the application date:

Response: Not applicable, given that we are not in support of the exposure draft, however should the exposure draft be approved and become an effective amendment to the standard, we have no objection to the proposed transitional provisions and proposed application date.

Question 3 Do you believe that 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, including GAAP/GES implications;**

Response: We are not aware of any such issues.

Question 4 Do you think that overall the proposals would result in financial statements that would be useful to users:

Response: Yes, but we believe as stated above that the reporting requirements of the IFRS standards sufficiently supports the needs of the users.

Question 5 Do you believe that the proposals are in the best interests of the Australian economy:

Response: Yes, however we believe that IFRS requirements are also in the best interest of the Australian economy and that there is no warranted reason to apply differentiated reporting obligations in addition to those required by IFRS in this regard. By adopting the exposure draft, the Australian economy is not positioned in a significantly better or stronger position than without adopting the standard.

We believe that it is within the Australian economy's best interest to further align with the reporting requirements under IFRS.

Question 6: Provide comment around the costs and benefits of the proposals relative to the current requirements, whether quantitative or qualitative. In relation to quantitative financial costs, particularly the nature and estimated amounts of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

Response: We do not believe that the costs that would be involved in implementing this additional reporting obligation upon Australian intermediate parent warrants the benefit thereof for reasons stated earlier. We believe that a favourable cost benefit outcome would be better achieved through retaining the wording in AASB 128 (2011) paragraph 17 (d) without amendment and to delete paragraph Aus4.2 from AASB 10, such that the AASB standards are more aligned with those of IFRS.

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