Ms Kris Peach
Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West
VIC 8007

28 November 2014

Dear Kris,

Invitation to comment on ED 256 *Removal of Cross-References from Financial Statements to Other Documents*

Invitation to comment on ED 255 *Financial Reporting Requirements for Australian Groups with a Foreign Parent*

We are responding to your invitations to comment on the above Exposure Drafts (EDs) on behalf of PwC.

We support the Board's proposal in ED 256 to require ultimate Australian parents to apply the equity method in accounting for interests in associates and joint ventures if either the parent or the group, or both, are a reporting entity. The proposed amendments would remove the inconsistencies between AASB 10 and AASB 128.

However, we do not support the Board's conclusions in ED 256 to remove from the Australian Accounting Standards any IFRS text that permits an entity to include disclosures specified by Accounting Standards by cross-reference to other documents. Our detailed responses to ED 256 are in Appendix A to this submission.

I would welcome the opportunity to discuss our firm's views at your convenience. Please contact me on (03) 8603 5371 if you would like to discuss our comments further.

Yours sincerely

Margot Le Bars
Partner, PricewaterhouseCoopers

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Appendix A: Detailed responses ED 256

1) **whether you agree with the AASB's proposed policy to not include in Australian Accounting Standards any IFRS text that mentions that an entity could include disclosures specified by Accounting Standards by cross-reference;**

We do not agree with the Board's proposed policy to prohibit including disclosures by cross-reference to another document. We believe that it is appropriate to include a cross-reference in the financial statements to other documents that include the information required by the standards rather than repeat the information in the financial statements. These cross-references should only be as permitted by IFRS standards and where the information has been made available to users on the same terms as the financial statements and at the same time, or earlier, as the financial statements.

The exposure draft states that the proposed amendments are to alleviate concerns that, should an entity include information by cross-referencing to another published document, it might lead to "unintended audit or regulatory compliance consequences in an Australian reporting context".

In our view, cross-referencing from the financial statements to another part of the financial report should not cause any audit issues if that information is appropriately identified. We note that the IAASB's recent exposure draft on ISA 720 *The auditor's responsibilities relating to other information* intends to clarify that disclosures located outside of the financial statements and incorporated through cross-referencing would form part of the financial statements. We believe this would be a more appropriate means to alleviate any audit concerns arising from cross-referencing.

ED 256 does not elaborate which regulatory issues, if any, could arise where an entity satisfies disclosure requirements of accounting standards by way of cross reference, where this is specifically permitted by the standards. Section 296 of the *Corporations Act 2001* requires that the financial statements comply with accounting standards. Where cross referencing is permitted by the standards this should not cause an entity to breach this requirement. We are not aware of any other sections in the *Corporations Act 2001* or the associated Regulations that would specifically prohibit cross referencing.

We believe that repeating information, which has already been provided to users elsewhere, adds clutter to the financial statements and could obscure other important information that is more relevant to the users. It could make the financial statements more complex and difficult to read, whereas we believe entities should strive to make their financial statements less complex and more accessible.

Therefore we do not believe that there is sufficient cause for the Board to depart from its policy of verbatim IFRS adoption for for-profit entities.

Responses to questions 2 – 7

We do not have any further comments on the specific questions in the exposure draft. Should the Board adopt the proposals, we do not have any concerns regarding the proposed application date.