

26 November 2013

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

**Tier 2 Supplement to ED 242**

Dear Mr Stevenson

Ernst & Young Australia is pleased to provide our comments on the AASB's Tier 2 Supplement to ED 242 (the 'Tier 2 Supplement').

We agree with the proposals in the Tier 2 Supplement to provide exemption from a significant portion of the disclosures proposed by ED 242. We also recommend the addition of specific disclosure requirements around changes in leasing arrangements for financial statements prepared by RDR Tier 2 entities as set out in our response to Question 1.

We note that Exposure Draft - ED 242 *Leases* is currently being reviewed by the Australian Accounting Standards Board. Accordingly, our responses in Appendix A are limited to only the questions raised in the Tier 2 Supplement. However, we also note that the majority of respondents to the IASB ED expressed concerns that overall the disclosure requirements were excessive, burdensome, complex and inoperable. These comments also relate to some of the paragraphs that are proposed to be retained for Tier 2 entities. Therefore it may be appropriate to revisit the Tier 2 disclosures once the standard is finalised.

We would be pleased to discuss our comments further with you. Please contact Lynda Tomkins ([lynda.tomkins@au.ey.com](mailto:lynda.tomkins@au.ey.com), direct (02) 9276 9605) if you wish to discuss any of the matters raised in this response.

Yours sincerely



Ernst & Young

## APPENDIX A

### SPECIFIC MATTERS FOR COMMENT

#### 1. Whether we agree with the AASB disclosure proposals for Tier 2 entities;

We agree with the proposals in the Tier 2 Supplement however we also observe the following matter.

We note that implementing the proposals in the Tier 2 Supplement would lead to a lack of specific disclosure requirements in the financial statements of Tier 2 entities around changes in leasing circumstances for lessees and lessors during the period. We believe this could potentially lead to non-disclosure of significant changes and that this information would be useful to users. For Tier 1 entities this is currently addressed by paragraphs 61, 62, 103 and 104 of ED 242 however we take the view that these paragraphs would impose an excessive burden on preparers of financial statements for Tier 2 entities.

We recommend the addition of a paragraph specific to Tier 2 entities requiring the disclosure of significant changes in a lessee's or a lessor's leasing arrangements during the period. This would avoid the excessive burden noted above on preparers of financial statements for Tier 2 entities whilst satisfying the needs of users and achieving a level of consistency with Tier 2 disclosure requirements relating to changes in owned assets, examples of which include AASB 116 *Property, Plant and Equipment* paragraph 73(e) and AASB 140 *Investment Property* paragraph 76. Similarly, we believe that disclosures from a lessor's perspective should be balanced with those required from lessees to provide users with the most relevant information.

#### 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:

- (i) not-for-profit entities; and
- (ii) public sector entities;

We are not aware of any issues that may affect the implementation of the proposals by not-for-profit entities and public sector entities.

#### 3. Whether, overall, the proposals would result in financial statements that would be useful to users;

Except for the comments noted above in question 1, we believe that the proposals will result in financial statements that are useful to users.

#### 4. Whether the proposals are in the best interests of the Australian economy;

We believe these proposals are in the best interests of the Australian economy subject to our comments in question 1.

#### 5. Unless already provided in response to specific matters for comment 1 - 4 above, the costs and benefits of the proposals, whether quantitative (financial or non-financial) or qualitative.

The proposals mean that a significant proportion of the disclosure requirements proposed by ED 242 will not be required for Tier 2 entities. Subject to our comments in question 1, we believe the proposed disclosures applicable for Tier 2 entities provide useful information to users about the activities of the entity and the risks without imposing a burden on preparers.