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Dear Bruce

**ED 170 Relationships with the State**

Grant Thornton Australia Limited (Grant Thornton) is pleased to provide the Australian Accounting Standards Board with its comments on Exposure Draft ED 170 which is a re-badged copy of the International Accounting Standards Board's Exposure Draft Relationships with the State – proposed amendments to IAS 24(the ED).

Grant Thornton's response reflects our position as auditors and business advisers both to listed companies and privately held companies and businesses, and this submission has benefited with input from our clients, Grant Thornton International which will be finalising a global submission to the IASB, and discussions with key constituents.

We are supportive of the proposals and believe that they should apply to both the for-profit entities and also tentatively for the not-for-profit public sector, subject to further work that the AASB is doing on this issue for the not-for-profit public sector.

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

Yours sincerely  
GRANT THORNTON AUSTRALIA LIMITED

A handwritten signature in black ink, appearing to read "Keith Reilly".

Keith Reilly  
National Head of Professional Standards

# Appendix 1:

## Responses to Exposure Draft Questions

### **ED 170 Relationships with the State Invitation to comment questions**

#### Question 1 – State-controlled entities

This exposure draft proposes an exemption from disclosures in IAS 24 for entities controlled, jointly controlled or significantly influenced by the state in specified circumstances.

Do you agree with the proposed exemption, and with the disclosures that entities must provide when the exemption applies? Why or why not? If not, what would you propose instead and why??

We support the proposed exemption on the basis that it will simplify disclosures required, and a reader is put on notice that by the proposed exemption disclosure.

#### Question 2 – Definition of a related party

The exposure draft published in 2007 proposed a revised definition of a related party. The Board proposes to amend that definition further to ensure that two entities are treated as related to each other whenever a person or a third entity has joint control over one entity and that person (or a close member of that person's family) or the third entity has joint control or significant influence over the other entity or has significant voting power in it.

Do you agree with this proposal? Why or why not? If not, what would you propose instead and why?

We support the proposed revised definition as it reflects a relationship potentially disclosable where there is joint control or significant influence.

#### Question 3 - assessment of control

Do you have any other comments on the proposals?

No.

**Specific AASB Questions**

## 1 Application to for-profit and not-for-profit entities

- a 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 private sector entities;
  - ii for-profit public sector entities;

We are not aware of any regulatory issues that may effect the implementation of the proposals

- b Whether overall, the proposals would result in financial statements that would be useful to users;

We believe that the proposals will result in financial statements that would be useful to users

- c Whether the proposals are in the best interests of the Australian economy.

We believe that the proposals are in the best interests of the Australian economy.

Whether an approach based on the IASB's proposals should be adopted in a not-for-profit public sector context if some or all of IAS 24 were to be adopted, particularly given the broad nature of the proposed IASB exemption.

We are supportive of the adoption of IASB requirements to the not-for-profit sector subject to due consideration of not-for-profit characteristics, and hence we support further work that the AASB is doing on this issue and generally for the not-for-profit public sector.