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30 November 2005

Professor David Boymal  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West Vic 8007

Dear David

### **Invitation to Comment on “Superannuation Plans – Financial Liabilities”**

We are pleased to submit our comments in relation to the Invitation to Comment on “Superannuation Plans – Financial Liabilities”.

Overall, we support the Australian Accounting Standard Board’s (AASB) proposal to make limited amendments to AAS 25 in light of the interaction between AAS 25 and the application of Australian equivalents to International Financial Reporting Standards. However, we would encourage the AASB to undertake a comprehensive review of the requirements in AAS 25 as soon as possible.

Our comments on the specific proposals outlined in the Invitation to Comment are addressed below.

#### **A. SPECIFIC MATTERS FOR COMMENT**

*a) the proposal that financial liabilities of a superannuation plan that might otherwise be treated under AASB 132 and AASB 139 should be required to be measured at net market values under AAS 25 and any changes in the net market values recognised in the profit or loss for the reporting period*

We agree with this proposal because it will remove the uncertainty surrounding the application of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* and promote comparability amongst superannuation plans in their measurement basis for financial liabilities.

*b) the manner in which the AASB proposes to amend AAS 25 as shown in the Appendix*

We agree with the proposed amendments to AAS 25 as shown in the Appendix. However, we believe that the amendment in paragraph 24 to refer to “... income tax liabilities, sundry liabilities and financial liabilities” should also be replicated in AAS 25 paragraphs 49 and 51 to ensure that financial liabilities that may have been classified as sundry liabilities continue to be accounted for in a consistent manner. We therefore suggest paragraph 49 reads:

**“... between the carrying amount of the assets and the sum of the sundry liabilities, financial liabilities and income tax liabilities.”.**

And paragraph 51 reads:

“... between the carrying of the assets and the sum of income tax liabilities, ~~and~~ sundry liabilities and financial liabilities, including liabilities...”.

We note that the proposed amendments to AAS 25 will have consequential amendments on the Appendices in AAS 25 that provide example financial report structures for defined benefit plans and defined contribution plans. We believe that the Appendices should be amended consistently for any amendments arising from this Invitation to Comment.

We would be pleased to discuss our comments further with you. Please contact Annette Kimmitt on (03) 9288 8141 if you wish to discuss any of the matters raised in this response.

Yours sincerely



Ernst & Young