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Dear Tony

Invitation to Comment: Framework: Tier 1 and Tier 2 For-Profit Entities

Grant Thornton New Zealand Limited (Grant Thornton) is pleased to provide the External Reporting Board (XRB) with its comments on External Reporting Board's Exposure Draft: *Framework: Tier 1 and Tier 2 For-Profit Entities* (the ED). We have considered the ED along with the accompanying Invitation to Comment (ITC) and set out our comments below.

Grant Thornton's brief response to the ED and the ITC reflects our position as auditors and business advisers both to listed companies and privately held companies and businesses in New Zealand.

Summary

The wish to minimize the amount of "financial reporting" change for Tier 1 and Tier 2 reporting entities makes sense and the reasoning for this clearly comes through in what is being proposed.

While there is a place for a Reduced Disclosure Regime (RDR) we still maintain it should not be the only regime that a Tier 2 entity can default to. As noted in previous submissions, we still maintain there is a place for IFRS for SMEs.

Finally, we are pleased to see that early application of this ED will be permitted.

Responses to the three specific questions posed by the Board are answered in Appendix 1 to this letter.

If you have any questions, or wish us to amplify our comments, please contact me in our Auckland Office on (09) 308 2534.

Yours sincerely
Grant Thornton New Zealand Ltd

Mark Hucklesby
National Technical Director

Appendix 1

Feedback on specific questions asked

- 1. Do you agree with the proposal to insert new paragraph NZ 4.1 into NZ IFRS 1? If you disagree, please provide reasons.**

Yes. In our opinion this requirement fits in nicely with audit report template present in Illustration 5 in ISA (NZ) 700 *Forming an Opinion and Reporting on Financial Statements*. This document explicitly draws attention to compliance with International Financial Reporting Standards.

- 2. Do you agree with the RDR concessions proposed in the ED? If you disagree with any of the proposals, please provide reasons**

Yes. The XRB has made it clear that it wants “to mirror” the Australian RDR regime, so the additional technical amendments that have been proposed in the ED make sense and should be processed.

- 3. Do you agree with the proposal to carry forward the current differential reporting concessions for Tier 2 intermediate parent entities into the new financial reporting framework? If you disagree, please provide reasons.**

Yes.

- 4. Do you agree with the proposed minor amendments to Appendices C and D of NZ IFRS 4 *Insurance Contracts*? If you disagree with the proposed amendments please provide reasons,**

Yes. This is an appropriate “housekeeping adjustment” that is needed.