



Australian Government
**Australian Accounting
Standards Board**

AASB 28-29 April 2010
Agenda paper 6.3

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21 December 2009

Mr Simon O'Neill
Chairman
ACAG Financial Reporting and Auditing Committee
PO Box 275
Civic Square ACT 2608

Dear Simon

Impairment of Statutory Receivables

I am writing to inform you of the outcome of the AASB's preliminary discussions about impairment of statutory receivables at its 9-10 December 2009 meeting. The Board considered an issues paper *Impairment of statutory receivables* [agenda paper 19.2], which is publicly available, noting that it addresses one of the 'other gaps in GAAP' identified in your letter dated 18 November 2009. During its discussion, the Board noted that the issue is not limited to not-for-profit public sector entities.

The Board expressed the preliminary view that the impairment requirements in AASB 136 *Impairment of Assets* apply to non-contractual assets, because paragraph AG12 of AASB 132 *Financial Instruments: Presentation* says non-contractual assets "such as income taxes that are created as a result of statutory requirements" are not financial assets.

The Board noted that, in accounting for the impairment of non-contractual assets, professional judgement needs to be applied, including in relation to assessing materiality and using estimates, averages and computational short cuts referred to in paragraph 23 of AASB 136. The Board saw this as relevant when considering the recoverable amount for an individual statutory receivable or a portfolio of such receivables.

Whilst the Board is of the view that such receivables are more in the nature of financial instruments, it is of the view that AASB 132 is explicit as to scope and it does not think that AASB 136 is restrictive in coming to an answer that would be compatible with what might be achieved under AASB 132. Conversely, the Board would be apprehensive about attempting to change the scope of AASB 132 to embrace non-contractual assets at this time, a potentially far-reaching amendment that would go beyond statutory receivables, and observed that invoking AASB 132 would also have consequences for the application of AASB 7 *Financial Instruments: Disclosures* – something which has not been previously considered through due process. Having said this, the Board would see nothing to prevent an entity voluntarily making disclosures compatible with AASB 7 for statutory receivables.

The Board would welcome any comments that ACAG has on these preliminary observations and on whether ACAG still believes that the issue is such that a separate project is warranted at this time. The Board would also welcome examples of where it is

believed that financial reporting has been found wanting and which particular type of statutory receivables are the biggest sources of concern.

If you have any queries on the Board's preliminary view, please contact me or Chris Pang (cpang@asb.gov.au).

Yours sincerely,

Kevin M. Stevenson
Chairman

cc D W Challen
Chair
Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)