



Office of the Australian Accounting Standards Board  
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2 June 2017

Dear Sir/Madam

**Re: Revenue Recognition - Advance Payment of Financial Assistance Grants 2017/18**

The Federal Government in their most recent budget indicated that half of the 2017/18 Financial Assistance Grants would be paid to Councils in advance and these funds are likely to come in during June 2017.

As Councils fall under the not for profit standard for income recognition, Councils such as ours would be required to show this as income in 2016/17.

Not only does this distort Council's financial statements and ratios but it clearly violates the matching principle, as expenditure funded from this income will not occur until the 2017/18 financial year.

We are aware that a number of Councils in NSW and interstate are concerned about having to treat this early grant payment as income in the 2016/17 financial year and therefore urgently seek an amendment or exemption to this requirement. Rather we would seek to follow the Accounting Standard **AASB 120 Accounting for Government Grants and Disclosure of Government Assistance** in particular:

***"12 Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate"***

Advice from the NSW Office of Local Government was to write to you to see if you could address this matter, as they are required to forward the advance payment to Councils once the funds have been received from the Commonwealth and are not able to delay distribution until 1 July 2017.

Therefore it is requested that this matter be given urgent consideration.

EMBRACING CHANGE, BUILDING ON HISTORY



Please feel free to contact me if you would like any further information regarding this matter.

Yours sincerely

**Paul Della**  
**CHIEF FINANCIAL OFFICER**