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Mr Greg Hallam PSM
Chief Executive Officer
Local Government Association of Queensland
PO Box 2230
Fortitude Valley BC
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Dear Mr Hallam

2013 LGAQ Annual Conference Resolution Number 15: Accounting Standards – Recognition of Revenue by Not for Profit Organisations (NFPs)

Thank you for your letter of 3 December 2013 drawing to my attention resolution 15 from the 2013 Annual Conference of the Local Government Association of Queensland.

Because of the significance of grants in the financial performance and position of not-for-profit entities, the issue of grants accounting has been topical even before 1991, when the Australian Accounting Research Foundation issued AAS 27 *Financial Reporting by Local Governments.*

The AASB is advanced on a project to revise and reissue the accounting standard on the recognition of revenue (including grants) in the not-for-profit sector. This project is having regard to international developments in accounting standards and the views of Australian constituents. The International Accounting Standards Board is expected to release, in the first quarter of 2014, a new standard on the recognition of revenue from contracts with customers. That standard is expected to be based on the principle that, where performance obligations arise, revenue will be recognised when those obligations are satisfied.

The AASB plans to issue an exposure draft of a new accounting standard on income from transactions of not-for-profit entities, based on the IASB's 'performance obligations'

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approach, in the second quarter of 2014. More broadly, exposure drafts provide an opportunity for constituents to submit comments to the AASB. These comments are valued by the AASB and play an important role in shaping the Board's thinking. In that context, I encourage the LGAQ to make a submission on exposure drafts issued by the AASB that are relevant to the financial reporting needs of local government.

I have copied my response to Mr Kevin Stevenson, Chair of the Australian Accounting Standards Board, given his interest in this topic, and to Mr Greaves and Ms Norman.

Yours sincerely

Ian McPhee
Auditor-General

cc: Mr Andrew Greaves, Queensland Auditor-General, Queensland Audit Office
Mr Kevin Stevenson, Chair, Australian Accounting Standards Board.
Ms Beth Norman, LGAQ (by email)