

Department of Treasury and Finance

The Treasury Building
21 Murray Street, HOBART, Tas 7000
GPO Box 147, HOBART, Tas 7001 Australia
Telephone: (03) 6233 3100 Facsimile: (03) 6223 2755
Email: secretary@treasury.tas.gov.au Web: www.treasury.tas.gov.au



Mr David Boymal
Chairman
Australian Accounting Standards Board
PO Box 204
COLLINS ST WEST, Vic 8007

Dear Mr Boymal

**COMMENTS ON EXPOSURE DRAFT 163 PROPOSED AMENDMENTS TO AASB
1049 FOR CONSISTENCY WITH AASB 101**

Australia's Heads of Treasuries Accounting and Reporting Advisory Committee welcomes the opportunity to respond to the Australian Accounting Standards Board's Exposure Draft 163 *Proposed Amendments to AASB 1049 for Consistency with AASB 101*.

ED 163 is supported, in principle, by HoTARAC. In particular, HoTARAC commends the AASB's continued practice of releasing a marked-up version of AASB 1049 with the Exposure Draft. This is a very useful tool for encouraging informed comment. Apart from the attached responses to specific matters identified by the AASB, HoTARAC notes that, where a jurisdiction elects to early adopt the changes to AASB 1049, there should be a requirement to early adopt the equivalent AASB 101.

I trust that these comments will assist the AASB to progress this important matter. Please contact Peter Gibson on (02) 6215 3551 or Sean Hickling on (02) 6215 3323 for any additional information or clarification that may be required.

Yours sincerely

D W Challen
CHAIR
HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY COMMITTEE

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Encl

Contact Suzi Ransom
Phone (03) 6233 2881
Our Ref D/14421 SR/CJ

HoTARAC comments to AASB regarding ED 163 *Proposed Amendments to AASB 1049 for consistency with AASB 101*

A. Is the manner in which the AASB proposes to amend AASB 1049 and the accompanying Illustrative Examples appropriate?

HoTARAC supports the proposal to amend the titles of financial statements to ensure AASB 1049 reporting is consistent with the requirements of AASB 101. However, there remains an overall preference by some jurisdictions for the use of the "traditional" titles for financial reporting generally, that is "Operating Statement" and "Balance Sheet", as users of financial reports, such as the general public, are more familiar with these terms. HoTARAC notes this preference is specifically addressed by ED 163 BC5 which points out that "consistent with flexibility on statement titles allowed for in AASB 101 (Paragraph 10), "Whole-of-Government" and "General Government Sector" would not be restricted by AASB 1049 to using the titles in AASB 1049".

With respect to the budget disclosure requirements, the clarification that the budget disclosures only relate to the budgeted financial statements that have been presented to Parliament will be of benefit to users. This means, for example, that where a particular budgeted financial statement has not been presented to Parliament there is no requirement to disclose budgeted information for that statement.

While HoTARAC supports the requirement to compare outcomes against budget estimates on a consistent basis, HoTARAC does not support mandating whether original or revised budget estimates should be used. HoTARAC notes that Budget figures may ultimately change to accommodate amendments made by Parliament during the passage of the appropriation bills and during the year to accommodate any additional policy initiatives that are introduced by Government and funded by Parliament. HoTARAC therefore, considers that it is a matter for individual jurisdictions to determine whether original or revised budget estimates should be used, according to circumstances. Also, as previously commented, HoTARAC does not support including the explanations of material variances between budget and outcomes in the audited financial report, as this is considered to be management information.

B. Is the requirement for whole-of-government and GGS statements of changes in equity to be prepared with the proposed content appropriate?

HoTARAC believes that the inclusion of a Statement of Changes in Equity does not provide any useful additional information for users of financial statements, where the reporting entity does not have transactions with owners in their capacity as owners.

Paragraph 34B of ED 163 acknowledges that transactions with owners in their capacity as owners do not arise in a GGS context. They may arise in a whole-of-government context in relation to partly owned subsidiaries, where they exist. They may also arise between Public Non-Financial Corporations Sector and Public Financial Corporations Sector entities and their owner, the GGS. Studying the Statement of Changes in Equity in the example on page 40 of the draft AASB 1049, HoTARAC did not consider that it added any information that is not otherwise presented in the Statement of Comprehensive Income.

Additionally, the presentation in the notes of changes in equity by combining a sector split and equity components split, as per the example on page 48 of the marked up version of AASB 1049, may be confusing to users. Some HoTARAC members have noted that limiting the presentation of changes in equity to an equity components split is more appropriate. HoTARAC notes that some jurisdictions, such as Queensland, currently provide information on reconciliation of changes in equity splitting out equity components in a note to financial statements. This appears to be a more appropriate solution.

HoTARAC also notes that it is unlikely that a budgeted Statement of Changes in Equity would be prepared / presented to Parliament, so budget versus actual information for this Statement is unlikely (as these types of changes are difficult to budget). To this extent, the usefulness of the Statement of Changes in Equity is limited.

Consequently, HoTARAC proposes the Standard's requirement for a Statement of Changes in Equity should be limited to whole-of-government entities that have transactions with owners in their capacity as owners. If this approach is not practical, HoTARAC suggests that the requirement be amended to include optional treatment between a single Comprehensive Income Statement with notes and two statements – an Income Statement and Statement of Changes in Equity.

C. Is it appropriate not to specify transitional requirements (thus leaving changed accounting policies to be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*)?

HoTARAC notes that it does not seem necessary to require specification of transitional arrangements. As a consequence, HoTARAC supports the approach proposed in ED 163.

D. Overall would the proposals result in financial statements that would be useful to users?

Noting the response to Specific Matter B, above, HoTARAC supports the changes proposed in ED 163 as resulting in financial statements that would be useful to users.

E. Are the proposals in the best interest of the Australian economy?

No comment.