

Department of Treasury and Finance

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Mr Bruce Porter
Acting Chairman
Australian Accounting Standards Board
PO Box 204
Collins St West
MELBOURNE Vic 8007

Dear Mr Porter *Bruce*

EXPOSURE DRAFT 176 PROPOSED AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS - BORROWING COSTS OF NOT-FOR-PROFIT PUBLIC SECTOR ENTITIES

The Heads of Treasuries Accounting and Reporting Advisory Committee welcomes the opportunity to provide comments to the Australian Accounting Standards Board on Exposure Draft 176 *Proposed Amendments to Australian Accounting Standards – Borrowing Costs of Not-For-Profit Public Sector Entities*.

HoTARAC is supportive of the proposed amendments to AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 111 *Construction Contracts* and AASB 123 *Borrowing Costs*.

HoTARAC strongly supports reintroducing the option for not-for-profit public sector entities to expense borrowing costs. HoTARAC re-iterates its comments on the International Public Sector Accounting Standards Board's Exposure Draft 35 *Proposed International Public Sector Accounting Standard – IPSAS 5 Borrowing Costs (Revised 200X)* that the option to expense is crucial to accurately reflect the substance of borrowing costs in public sector not-for-profit entities. HoTARAC considers that the proposals will result in financial statements that are more useful to users.

HoTARAC has no comment with regards to whether the option should be extended to not-for-profit private sector entities. However, some HoTARAC jurisdictions believe that the option to expense borrowing costs should be extended to for-profit public sector entities. This is because these entities:

- face similar issues regarding the revaluation model and depreciated replacement cost; and
- are consolidated as part of the whole-of-government, where consistent policies are required to be adopted.

HoTARAC commends the AASB in regard to the application date, which enables not-for-profit public sector entities, that choose the option to expense borrowing costs under AASB 123, to continue to apply that option without interruption ensuring consistency in accounting policy.

HoTARAC is of the view that the proposals are in the best interest of the Australian economy because they improve transparency of government finances and allow easier calculations of key performance indicators for governments.

If you have any queries regarding HoTARAC's comments, please contact Peter Gibson from the Australian Department of Finance and Deregulation on 02 6215 3551.

Yours sincerely



D W Challen

CHAIR

HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY COMMITTEE

31 March 2009

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