

AASB 1004 Contributions vs IFRS for SMEs Section 24 Government Grants

1. Executive Summary

Main differences in recognition, measurement or presentation requirements

The recognition and measurement requirements under AASB 1004 and the *IFRS for SMEs* are potentially different depending on whether, in each particular case, meeting the criteria for recognition and measurement in AASB 1004 coincides with the criteria for recognition and measurement in section 24 of the *IFRS for SMEs*. AASB 1004 requires recognition when and only when the entity takes control of the contribution or the right to receive it, it is probable the economic benefits would flow to the entity and the amount can be measured reliably. The recognition of a contribution under section 24 of the *IFRS for SMEs* would depend on whether there are specified future performance conditions imposed on the recipient. Another potential recognition and measurement difference is liability forgiveness which is not dealt with under section 24 of the *IFRS for SMEs* but is dealt with under AASB 1004.

AASB 1004 is a not-for-profit specific Standard, some sections of which only apply to local governments, government departments, General Government Sectors(GGSs) and whole of governments.

Under the Board's proposals in this Exposure Draft, local governments, GGSs and whole of governments would be subject to Tier 1 requirements. It is possible under the Board's proposals for all government departments and other not-for-profit entities to adopt the Reduced Disclosure Regime (RDR).

Disclosure proposals

It is proposed not to exclude any paragraphs from the Reduced Disclosure Regime (RDR).

2. Analysis of disclosure requirements

Text in AASB 1004 <i>Contributions</i>	Comments
<p>Disclosures</p> <p>18 The following information shall be disclosed:</p> <ul style="list-style-type: none"> (a) contributions of assets, including cash and non-monetary assets; and; (b) the forgiveness of liabilities. 	<p>Retain paragraph 18. Users of general purpose financial statements of not-for-profit entities need information about contributions of assets and liabilities forgiven. Given the requirement to recognise contributions of assets and the forgiveness of liabilities, the requirement to disclose that information would not be incrementally onerous.</p>
<p>Disclosure of Contributions</p> <p><i>Paragraphs 60 to 62 of this Standard apply only to local governments, government departments, GGSs and whole of governments.</i></p> <p>60 The complete set of financial statements shall disclose, separately by way of note, the amounts and nature of:</p> <ul style="list-style-type: none"> (a) contributions recognised as income during the reporting period in respect of which expenditure in a manner specified by a transferor contributor had yet to be made as at the reporting date, details of those contributions and the conditions attaching to them; (b) contributions recognised as income during the reporting period that were provided specifically for the provision of goods or services over a future period; (c) contributions recognised as income during the reporting period that were obtained in respect of a future rating or taxing period identified by the local government, GGS or whole of government for the purpose of establishing a rate or tax; (d) the nature of the amounts referred to in (a), (b) and (c) above and, in respect of (b) and (c) above, the periods to which they relate; and (e) contributions recognised as income in a previous reporting period that were obtained in respect of the current 	<p>In the context of a RDR, consideration only needs to be given to paragraphs 60 to 62 in relation to government departments.</p> <p>The disclosures in paragraphs 60 and 61 address one of the criticisms of AASB 1004's recognition requirements that there is the potential for users to be confused because income is recognised in a period different from when the expenditure for which it is provided is incurred. Therefore, paragraphs 60 & 61 provide useful information for users, and should be retained in the RDR.</p>

<p align="center">Text in AASB 1004 <i>Contributions</i></p>	<p align="center">Comments</p>
<p align="center">reporting period.</p>	
<p>61 Where a local government, government department, GGS or whole of government receives contributions on the condition that the related assets shall be expended in a particular manner or used over a particular period, and those conditions are undischarged in part or in full as at the reporting date, the entity will have a strong fiduciary responsibility in relation to the deployment of those contributed assets. As noted in paragraph 20, this fiduciary responsibility does not constitute a liability. However, information about the contributions, including the conditions, is relevant to users of the complete set of financial statements, particularly in assessing performance and the discharge of accountability obligations. Accordingly, this Standard requires disclosure of those conditions where they are yet to be discharged, in part or in full, as at the reporting date. In addition, disclosure of contributions recognised as income in a previous reporting period that were provided specifically in respect of the current reporting period will provide information relevant to users' assessments of the entity's recovery of the cost of goods and services it has provided during the current reporting period.</p>	
<p>62 The complete set of financial statements shall disclose separately the fair value of goods and services received free of charge, or for nominal consideration, that are recognised during the reporting period.</p>	<p>Paragraph 62 provides information useful to users about non-monetary contributions. Since the fair value of contributions has already been determined on the initial recognition of contributions, the requirement to separately disclose that information would not be onerous, and paragraph 62 should be retained in the RDR.</p>
<p>Additional Government Department Disclosures <i>Paragraph 63 of this Standard applies only to government departments.</i></p> <p>63 The complete set of financial statements of a government department shall disclose separately:</p> <ul style="list-style-type: none"> (a) appropriations, by class; and (b) liabilities that were assumed during the reporting period by the government or other entity. 	<p>Paragraph 63 involves disclosing information about recognised amounts, it is not expected to be incrementally onerous to make the disclosures. Paragraph 63 should be retained in the RDR on user needs grounds, consistent with paragraph IN5 of this Appendix.</p>
<p>Compliance with Parliamentary Appropriations and</p>	

<p style="text-align: center;">Text in AASB 1004 <i>Contributions</i></p>	<p style="text-align: center;">Comments</p>
<p>Other Externally-Imposed Requirements</p> <p><i>Paragraphs 64 to 68 of this Standard apply only to government departments.</i></p> <p>64 The complete set of financial statements of a government department shall disclose separately:</p> <ul style="list-style-type: none"> (a) a summary of the recurrent, capital or other major categories of appropriations, disclosing separately: <ul style="list-style-type: none"> (i) the original amounts appropriated for the reporting period; and (ii) the total amounts appropriated for the reporting period; (b) amounts authorised other than by way of appropriation and advanced separately by the Treasurer, other minister or other legislative authority for the reporting period; (c) the expenditures for the reporting period in respect of each of the items disclosed in (a) and (b) above; (d) the reasons for any material variances between the amounts appropriated or otherwise authorised and the associated expenditures for the reporting period; and (e) the nature and probable financial effect of any non-compliance by the government department with externally-imposed requirements for the reporting period, not already disclosed by virtue of (d) above, and that are relevant to assessments of the government department's performance, financial position or financing and investing activities. 	<p>The disclosures required by paragraphs 64, 65, 66 and 68 are considered to be useful for users and in meeting government departments accountability obligations (see the rationale for the disclosures in paragraphs 66 and 68), and should be retained in the RDR.</p> <p>Paragraph 67 provides some practical guidance to help ensure the requirements are not onerous for a preparer. Such guidance is relevant in both a Tier 1 and a Tier 2 context.</p>
<p>65 The information disclosed about compliance with externally-imposed requirements shall be in a form that is relevant to users of that information, and that reflects the following:</p> <ul style="list-style-type: none"> (a) the operating characteristics of the government department; (b) the structure of the appropriations; (c) any other requirements that are imposed externally on the government 	

<p align="center">Text in AASB 1004 <i>Contributions</i></p>	<p align="center">Comments</p>
<p>department; and (d) the general purpose nature of the complete set of financial statements.</p>	
<p>66 For the purposes of economic decision making, including assessments of accountability, this Standard requires that users of the complete set of financial statements be provided with information about the amounts appropriated or otherwise authorised for a government department’s use, and whether the government department’s expenditures were as authorised. When spending limits imposed by parliamentary appropriation or other authorisation have not been complied with, information regarding the amount of, and reasons for, the non-compliance is relevant for assessing the performance of management, the likely consequences of non-compliance, and the ability of the government department to continue to provide services at a similar or different level in the future.</p>	
<p>67 Broad summaries of the major categories of appropriations and associated expenditures, rather than detailed reporting of appropriations line-item by line-item for each activity, is sufficient for most users of a government department’s complete set of financial statements. Determining the level of detail and the structure of the summarised information is a matter of judgement. The detailed information about compliance with spending mandates required by certain users should be provided in special purpose financial statements.</p>	
<p>68 In addition to requirements to comply with expenditure limits imposed by parliamentary appropriations, government departments are subject to a range of legislative, regulatory and other externally-imposed requirements governing their operations. Knowledge of non-compliance with such requirements is relevant for accountability purposes and may affect users’ assessments of the government department’s performance and likely future operations. It may also influence decisions about resources to be allocated to that government department in the future.</p>	

3. AASB 1004 Contributions: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 1004 *Contributions*. It is proposed that they be retained without amendment in the RDR.

Disclosures

18 The following information shall be disclosed:

- (a) contributions of assets, including cash and non-monetary assets; and;
- (b) the forgiveness of liabilities.

Disclosure of Contributions

Paragraphs 60 to 62 of this Standard apply only to local governments, government departments, GGSs and whole of governments.

60 The complete set of financial statements shall disclose, separately by way of note, the amounts and nature of:

- (a) contributions recognised as income during the reporting period in respect of which expenditure in a manner specified by a transferor contributor had yet to be made as at the reporting date, details of those contributions and the conditions attaching to them;
- (b) contributions recognised as income during the reporting period that were provided specifically for the provision of goods or services over a future period;
- (c) contributions recognised as income during the reporting period that were obtained in respect of a future rating or taxing period identified by the local government, GGS or whole of government for the purpose of establishing a rate or tax;
- (d) the nature of the amounts referred to in (a), (b) and (c) above and, in respect of (b) and (c) above, the periods to which they relate; and
- (e) contributions recognised as income in a previous reporting period that were obtained in respect of the current reporting period.

61 Where a local government, government department, GGS or whole of government receives contributions on the condition that the related assets shall be expended in a particular manner or used over a particular period, and those conditions are undischarged in part or in full as at the reporting date, the entity will have a strong fiduciary responsibility in relation to the deployment of those contributed assets. As noted in paragraph 20, this fiduciary responsibility does not constitute a liability. However, information about the contributions, including the conditions, is relevant to users of the complete set of financial statements, particularly in assessing performance and the discharge of accountability obligations. Accordingly, this Standard requires disclosure of those conditions where they are yet to be discharged, in part or in full, as at the reporting date. In addition, disclosure of contributions recognised as income in a previous reporting period that were provided specifically in respect of the current reporting period will provide information relevant to users' assessments of the entity's recovery of the cost of goods and services it has provided during the current reporting period.

- 62** The complete set of financial statements shall disclose separately the fair value of goods and services received free of charge, or for nominal consideration, that are recognised during the reporting period.

Additional Government Department Disclosures

Paragraph 63 of this Standard applies only to government departments.

- 63** The complete set of financial statements of a government department shall disclose separately:
- (a) appropriations, by class; and
 - (b) liabilities that were assumed during the reporting period by the government or other entity.

Compliance with Parliamentary Appropriations and Other Externally-Imposed Requirements

Paragraphs 64 to 68 of this Standard apply only to government departments.

- 64** The complete set of financial statements of a government department shall disclose separately:
- (a) a summary of the recurrent, capital or other major categories of appropriations, disclosing separately:
 - (i) the original amounts appropriated for the reporting period; and
 - (ii) the total amounts appropriated for the reporting period;
 - (b) amounts authorised other than by way of appropriation and advanced separately by the Treasurer, other minister or other legislative authority for the reporting period;
 - (c) the expenditures for the reporting period in respect of each of the items disclosed in (a) and (b) above;
 - (d) the reasons for any material variances between the amounts appropriated or otherwise authorised and the associated expenditures for the reporting period; and
 - (e) the nature and probable financial effect of any non-compliance by the government department with externally-imposed requirements for the reporting period, not already disclosed by virtue of (d) above, and that are relevant to assessments of the government department's performance, financial position or financing and investing activities.
- 65** The information disclosed about compliance with externally-imposed requirements shall be in a form that is relevant to users of that information, and that reflects the following:
- (a) the operating characteristics of the government department;
 - (b) the structure of the appropriations;
 - (c) any other requirements that are imposed externally on the government department; and
 - (d) the general purpose nature of the complete set of financial statements.

- 66 For the purposes of economic decision making, including assessments of accountability, this Standard requires that users of the complete set of financial statements be provided with information about the amounts appropriated or otherwise authorised for a government department's use, and whether the government department's expenditures were as authorised. When spending limits imposed by parliamentary appropriation or other authorisation have not been complied with, information regarding the amount of, and reasons for, the non-compliance is relevant for assessing the performance of management, the likely consequences of non-compliance, and the ability of the government department to continue to provide services at a similar or different level in the future.
- 67 Broad summaries of the major categories of appropriations and associated expenditures, rather than detailed reporting of appropriations line-item by line-item for each activity, is sufficient for most users of a government department's complete set of financial statements. Determining the level of detail and the structure of the summarised information is a matter of judgement. The detailed information about compliance with spending mandates required by certain users should be provided in special purpose financial statements.
- 68 In addition to requirements to comply with expenditure limits imposed by parliamentary appropriations, government departments are subject to a range of legislative, regulatory and other externally-imposed requirements governing their operations. Knowledge of non-compliance with such requirements is relevant for accountability purposes and may affect users' assessments of the government department's performance and likely future operations. It may also influence decisions about resources to be allocated to that government department in the future.