

5 November 2019

Ms Kris Peach  
Australian Accounting Standards Board  
PO Box 204  
Collins St West VIC 8007

**Fatal-Flaw Review Draft of Amendments to  
Research Grant Examples accompanying AASB 15**

Dear Ms Peach,

Thank you for the opportunity to provide comment on the *Fatal-Flaw Review Draft of the Amendments to Research Grant Examples accompanying AASB 15*. I would also like to take this opportunity to express my appreciation to you and colleagues for engaging with the medical research institute sector on issues relating to the implementation of the new revenue recognition Accounting Standards.

The first audits under which AASB15 applies will take place in less than two months and it is concerning that there still remains considerable disagreement within the audit community as to how the new Standard should be applied to research grant income. We had hoped that the proposed revisions to the Research Grant Examples and Staff FAQs for AASB15 would resolve this issue and provide the clarity that the research sector needs. Indeed, our recent discussions with the Australian Accounting Standard Board provided positive assurances about the correct way to apply the Standard in regard to research grants. However, in recent weeks we have found that different auditors are still taking opposing positions on how AASB15 should be applied to research grants, including government research council grants.

As we have previously stated, it will cause considerable harm if medical research institutes are unable to apply AASB15 to research grants and instead have to apply AASB1058. Applying AASB1058 will result in significant year to year fluctuations in annual financial statements, providing an inaccurate representation of the true financial state of affairs for the medical research institute and potentially resulting in unwarranted concerns for funding bodies, donors and the wider community.

Part of the reason for opposing positions being taken by auditors on how AASB15 should be applied to research grants stems from a disconnect between the new Standard, the Research Grant Examples in the Standard, the Staff FAQ Examples and the Staff FAQ Chart 3 Research Findings. AAMRI is of the view, along with many auditors, that research grant income can be recognised as revenue received over time because there are sufficiently specific performance obligations applicable to this revenue. However, it is apparent that several leading auditors do not hold this view. If this serious divergence in opinion remains unaddressed, the research sector will face considerable uncertainty in the reporting of their annual revenue.

While I appreciate that the AASB has tried to achieve consensus, and has provided examples to aid interpretation, it is now apparent that there is an absence of agreement in how AASB15 should be applied. Accordingly, the AASB should now consider delaying the introduction of AASB15 for the research sector until this situation is resolved.

Alternatively, amendments should be made to AASB15 without delay to ensure that a consistent approach is applied by auditors to the treatment of research grant income. This approach should ensure that sufficiently specific performance obligations are recognised and confirms that performance obligations associated with research grants are satisfied over time. This would enable revenue to be appropriately recognised over the term of the grant.

If you require any further information about this submission please contact AAMRI's Director of Policy and Operations, Dr Peter Thomas on 03 9345 2500 or [peter.thomas@amri.org.au](mailto:peter.thomas@amri.org.au)

Yours sincerely,

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