D24 sub 3

Dear David,

I am responding to the media release dated 19th February 2008 requesting comments on IFRIC Draft Interpretation D24 Customer Contributions.

1. I want to take this opportunity to request that, if the Board sees fit to endorse the IFRIC Interpretation for use in Australia, it grants a carve-out in the application for Not-for-Profits (NFP's) which in Australia have their own standard covering contributions (AASB 1004 Contributions)

2. The concern I have with IFRICS is that they are based on commercial principles in accordance with IASB's profit-oriented framework, although I note from the Staff Paper para 38 that this IFRIC may not be in accordance even with the framework .

3.The IASB continues to disregard the concerns of NFP's *vide* a Report prepared by a group of chairs and senior staff members of the standard-setting bodies of Australia, Canada, New Zealand and the United Kingdom in 2006, of which I note you were a member:

The writers of this Report were concerned about the implications of the IASB/FASB Conceptual Framework project for not-for-profit entities and encouraged the IASB and FASB to consider these entities continuously throughout their project but this was not accepted. At a later stage, the writers proposed that the implications for not for-profit entities be considered at the end of each phase of the IASB/FASB project but this was also not agreed to.

4. In my opinion, the IASB's revenue standard (IAS 18) referred to in D24 is based on the matching principle and the concept of deferred revenue. This is completely at odds with contributions in the not-for-profit sector where typically, entities receive contributions towards the construction of a building or purchase of equipment. This notion is well catered for in AASB 1004, but not in the IASB's Government Grants Standard IAS 20/AASB 120 which was designed for the private sector and, you will be aware, does not apply to NFP's in Australia. I am asking for a similar carve-out in relation to D24.

5. There is already confusion regarding the application of AASB 1004 in some quarters and I believe the application of this IFRIC interpretation to NFP's would only add to the confusion.

6. AASB 1004 Contributions takes into account whether the obligation meets the definition of a liability, the timing of the recognition, the measurement and therefore comes up with an answer different from D24. The Standard was amended in December 2007 and it would be difficult to justify approving an IFIC interpretation which contradicts it.

7. D24 is also at odds with Interpretation 1017 *Developer and Customer Contributions for Connection to a Price-Regulated Network* as acknowledged by the Staff paper (para 25). I note that staff are recommending adoption (para 38). I believe this is on pragmatic grounds rather than principle which was well thought out in our UIG (I was member of the UIG at the time).

8. In the case of NFP's, pragmatism is not required as we have the "application" mechanism to exclude NFP,s which is what I am suggesting.

Sincerely,
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