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Mr David Boymal  
The Chairman  
Australian Accounting Standards Board  
PO Box 204  
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Dear Mr Boymal

**ED 142 'FINANCIAL REPORTING OF GENERAL GOVERNMENT  
SECTORS BY GOVERNMENTS'**

The Western Australian Department of Treasury and Finance (DTF) welcomes the opportunity to respond to the Board's request for comments on Exposure Draft ED 142, *Financial Reporting of General Government Sectors by Government*. We refer to the Heads of Treasuries (HoTs) submission dated 1 December 2005 and fully support this submission.

We would like to emphasise the following key points:

- Overall, we strongly support the objective of harmonising Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP), as this would facilitate improved inter-jurisdictional comparability and assist user understanding;
- We commend the considerable progress that has been made by the Australian Accounting Standards Board (AASB) to date in resolving a number of major conceptual and technical issues in the development of the Exposure Draft; and
- Unfortunately, the Exposure Draft fails to meet the Financial Reporting Council's (FRC) December 2002 strategic direction to the AASB. The current draft represents more of a reconciliation between GFS and GAAP rather than genuine harmonisation, with the result that user understanding is likely to be reduced rather than improved.

In addition to the preceding points, DTF supports the HoTs recommendation that the AASB undertake a major review of the Exposure Draft, and then issue a new Exposure Draft for stakeholder comment.

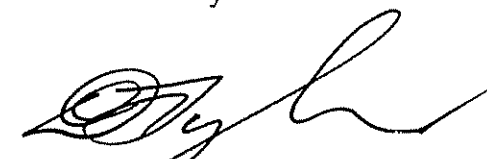
To assist with the further review of the Exposure Draft, DTF supports a standard for the General Government sector reporting entity that:

- Provides for an auditable general purpose financial report, but excludes the need for explanations of variance between budget and actual to be audited;
- Consolidates investments in entities in other sectors as a single line based on either fair value or net assets of those entities;
- Requires adoption of one approach based on the conceptually best treatment, for those items where there is a significant difference in recognition or measurement between the GAAP and GFS frameworks;
- Clearly expresses support for "down-the-page" presentation in the financial statements derived from the fully harmonised numbers, with separate identification in the Operating Statement of those items that, under the GFS framework, would be "transactions" and those that would be "other economic flows" (re-measurements). Where convergence introduces items that are not in the GFS framework, this will require a decision as to where they conceptually fit;
- Presents on the face of the financial statements certain significant GFS-based measures that are derived from the numbers presented within those statements; and
- Otherwise complies with accounting standards.

Our strong preference is that a harmonised standard is not issued until all sectors are addressed.

If you have any queries regarding this submission, please do not hesitate to contact John Stanley on (08) 9222 9280.

Yours sincerely



Doug Tyler  
A/EXECUTIVE DIRECTOR (FINANCE)

13 December 2005