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8 December 2005

Mr David Boymal
Chairman
Australian Accounting Standards Board
PO Box 204
COLLINS ST WEST VIC 8007

Dear Mr Boymal

**RE: Comments on Exposure Draft 144 - Proposed Australian Guidance to
accompany AASB 1004 Contributions**

The South Australian Department of Treasury and Finance has reviewed the Exposure Draft (ED) 144 relating to the proposed guidance to accompany the contributions standard which was recently released for comment by the Australian Accounting Standards Board (AASB).

The SA Government, in principle, supports the proposal to issue guidance to accompany the contributions standard.

The following comments are provided for your consideration:

Use of the term 'stipulation'

There was consensus from SA Government agencies that the term 'stipulation' is confusing. SA Government agencies noted that stipulations attached to contributions may be in the nature of conditions. SA Government agencies were of the view that terminology used in the Australian Accounting Standards and Guidance should be simple and user friendly.

It is suggested that the Board consider using terms currently used such as 'conditional requirement' and 'unconditional requirement'.

Consistency

It is acknowledged that Australian Accounting Standards articulate the requirements for identifying, recognising and measuring contributions from an income perspective.

SA Government agencies may be providing the contribution to or receiving the contribution from parties external and/or internal (ie within the economic entity) to the SA Government.

The SA Government's preferred policy position is for the identification, recognition and measurement of contributions to be consistent between the contributor and the recipient. Inconsistent treatment causes practical difficulties when whole of government consolidations are performed.

Unfortunately, there is no specific Australian Accounting Standard and/or guidance released by the Board that considers contributions from the expense perspective. It is therefore possible that inconsistent accounting treatments may be applied by different agencies within the SA Government entity. The main area of concern is where the contributor may treat the contribution as an expense, but the recipient may be required to treat the contribution as deferred revenue, for example until conditions/stipulations are met. The Department of Treasury and Finance considers the overall framework should not allow this situation to arise.

It is suggested that the Board consider incorporating guidance to identify, recognise and measure contributions from the expense perspective in the guidance to accompany the contribution standard.

If you require further information or clarification, please contact Julie Sinclair, Team Leader, Financial Management on (08) 8226 9529.

for J Sinclair

Sue Lees
ACTING GENERAL MANAGER
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