



12 December 2005

The Chairman  
Australian Accounting Standards Board  
E Mail: [standard@asb.com.au](mailto:standard@asb.com.au)

Dear David

**Re: ED 144: Proposed Australian Guidance to Accompany AASB 1004 Contributions.**

The Institute of Chartered Accountants in Australia (ICAA) welcomes the opportunity to make a submission on ED 144.

We support the Board's proposal to add this guidance and include the reference to AASB 118. Our detailed comments are attached. If you require any further information, please contact Stephanie Kemp – [skemp@icaa.org.au](mailto:skemp@icaa.org.au)

Yours sincerely

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## Appendix

### Specific Matters for Comment

The AASB would particularly value comments on:

- (a) whether guidance should be issued at this stage to accompany AASB 1004, in light of the likelihood of future changes given the various projects being undertaken by the IASB and IPSASB;

*Our understanding from your commentary is that this guidance will move users in the direction that you envisage the proposed changes will take. Consequently we do not perceive this as a problem*

- (b) the usefulness of the proposed guidance on the circumstances in which a contribution is initially recognised as a liability, rather than income;

*Over the years we have had numerous queries from members grappling with grants with conditions attached. The explicit permission to recognize a liability in some circumstances will be welcomed.*

- (c) whether there are any situations that would result in the guidance leading to a liability being initially recognised, when it is more appropriate for income to be recognised;

*We cannot think of any such circumstances. We commend the Board on the addition of the flowchart on page 14 of the ED*

- (d) whether there are any situations that would result in the guidance leading to income being initially recognised, when it is more appropriate for a liability to be recognised;

*We cannot think of any such circumstances.*

- (e) whether the distinction between applying AASB 118 and AASB 1004 is sufficiently clear; and

*We suspect there will be occasions when it is hard to distinguish when a not-for-profit is rendering services and when it is receiving a donation or subscription and the services are more of a by-product, for example a quarterly newsletter. It may be helpful to include some practical worked examples on this point.*

- (f) whether, instead of treating contributions in relation to the rendering of services under AASB 1004 and using the proposed guidance, such amounts should be treated in accordance with the rendering of services requirements in AASB 118.

*We are unable to understand the purpose of this question as para G1 specifically directs users to treat non-contribution revenue as revenue for services under AASB 118. Such revenue could not therefore be accounted for under AASB 1004.*

*The idea of “contributions in relation to the rendering of services” appears to be a contradiction in terms, unless the Board is describing, for example, the situation where a member pays an annual subscription and receives certain benefits such as a magazine, use of a library, etc, but the subscription is in excess of the cost of these services. Again, practical examples would be helpful.*