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To: AASB Mailbox  
Subject: ED147 - IFAC's ED29

I note the time for formal submissions has passed but let me request you take a couple of minutes to consider the following points with regard to grants / contributions:

\* The proposed standard appears to look directly for a possible return of the grant to work out if there is some reciprocal arrangement in place. To determine if return of the grant is required on breach, you need to consider if the stipulations are real or just political rhetoric and whether the grantor is effectively maintaining some equitable interest in the asset. Enforcement action through the courts is not considered a return of grant (i.e. Forcing you to comply with terms cannot generate a liability but requiring return does - parra 20) The situation where the grant may require benefits for a third party does not of itself create a liability (parra 21). A grant that requiring matching funding seems to be revenue immediately while you work out if you can match the funds. If you decide you cannot match then you create a liability (25). Do we really want different approaches depending on whether you have a flow of resources in cash or a flow in other resources? Do we want differences based on whether the flow is directly back to the grantor or whether it flows to a third party?

\* It is my view that they have come up with the wrong test. The test should not be based on narrow cash flow . The test should be whether the grant creates or is likely to create, new obligations for an outflow of resources or service potential from the entity. (n.b. Adding enforcement teeth to existing obligations should not create new liabilities.) Revenue recognition should be when there is no liability existing and compliance with the stipulations is practically certain.

(n.b. This personal opinion does not necessarily reflect the views of any organisation.)

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