

## Department of Treasury and Finance

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Mr Bruce Porter  
 Acting Chairman  
 Australian Accounting Standards Board  
 PO Box 204  
 Collins St West  
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Dear Mr Porter 

**EXPOSURE DRAFT 167 DISCONTINUED OPERATIONS: PROPOSED AMENDMENTS TO AASB 5**

The Heads of Treasuries Accounting and Reporting Advisory Committee welcomes the opportunity to comment on Exposure Draft 167 *Discontinued Operations*.

HoTARAC supports the proposed definition of a discontinued operation. However, HoTARAC can see practical problems in applying the operating segment concept to the not-for-profit public sector due to the management approach taken in AASB 8 to determine operating segments.

HoTARAC has previously raised its concerns regarding the appropriateness of the AASB 8 management approach to the not-for-profit public sector in its response to the AASB 8 Exposure Draft. AASB 8 refers to "business activities" that may earn revenue and gives an example in paragraph 6 of a non-cash generating corporate headquarters as an activity that would not be an operating segment. Similarly, AASB 8, paragraph 31, refers to "cash generating units" in describing "a component of an entity". The majority of not-for-profit public sector entities would either not earn revenue, or earn revenue that is incidental to the activities of the entity.

The implication of inappropriately applying AASB 8 might be that the disposal of major segments is not reported in not-for-profit public sector accounts because they do not meet the AASB 8 definition.

To overcome this problem, HoTARAC proposes that the Australian Accounting Standards Board consider using the term "businesses" rather than "operating segments". Whilst this is not a perfect alternative, as the term businesses has a for-profit connotation, the term is already used in AASB 1004 *Contributions* in defining restructures of administrative arrangements by not-for-profit entities.

The AASB may also wish to consider this issue in its long term review of AASB 1052 *Disaggregated Disclosures*.

HoTARAC is not aware of any regulatory impediments to implementation of the changes. HoTARAC offers no comment about whether the changes are in the best interests of the Australian economy.

Please contact Peter Gibson from the Australian Department of Finance and Deregulation on 02 6215 3551 if you wish to discuss these matters further.

Yours sincerely



D W Challen  
CHAIR

HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY COMMITTEE

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