

Mr Kevin Stevenson  
Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West  
VIC 8007

**By email: [standard@asb.gov.au](mailto:standard@asb.gov.au)**

24 June 2013

Dear Kevin

**Re: AASB ED 238 - Consolidated Financial Statements – Australian Implementation Guidance for Not-for-Profit (NFP) Entities**

We are writing to the Australian Accounting Standards Board (AASB or the Board) in relation to the Board's ongoing deliberations in developing proposed Australian Implementation Guidance for NFP Entities in relation to Consolidated Financial Statements.

In summary:

- We believe that the implementation guidance will be useful in addressing the unique aspects of NFP entities in the private and public sectors when applying AASB 10, *Consolidated Financial Statements* (AASB 10) and AASB 12, *Disclosure of Interests in Other Entities* (AASB 12)
- We agree with the Board's decision in providing only the implementation guidance and not amending or adding new requirements to AASB 10 and AASB 12 for the purpose of application by NFP entities.

Our responses to the specific questions referred in the exposure draft have been included in the Appendix attached.

Please feel free to contact me on 03 9671 7553 if you require further information.

Yours sincerely



Clive Mottershead  
Partner  
Deloitte Touche Tohmatsu

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**APPENDIX****CONSOLIDATED FINANCIAL STATEMENTS – AUSTRALIAN  
IMPLEMENTATION GUIDANCE FOR NOT-FOR-PROFIT ENTITIES**

- 1. Whether Australian implementation guidance for not-for-profit (NFP) entities should be added to AASB 10 and AASB 12 and, if so, whether it should, as proposed, be authoritative (i.e. “integral” to the Standard) or non-authoritative material;**

We recommend that Australian implementation guidance for NFP entities should be added to AASB 10 and AASB 12 as it provides useful application guidance for such entities. We further agree with the proposal that the guidance be made authoritative (i.e. “integral” to the Standard) to ensure consistency in application by all the entities covered in the scope of this standard and avoid any diversity in practice.

- 2. Whether the proposed implementation guidance appropriately explains the definition of ‘control’ in AASB 10 for application by NFP entities, including the following aspects:**
  - a. the broad nature of returns from a controlled NFP entity, including non-financial and indirect benefits (paragraphs IG16 and IG17); and**
  - b. the four detailed sets of implementation examples in the proposed Appendix E for AASB 10;**

We believe the implementation guidance appropriately explains the definition of ‘control’ in AASB 10 for application by NFP entities. The guidance in paragraph IG16 and IG17 rightly explains that in application to NFP entities, the broad scope of the nature of returns encompasses financial, non-financial, direct and indirect benefits, whether positive or negative, including the achievement or furtherance of the investor’s objectives.

We believe that the four detailed sets of implementation examples provides application guidance which can either be referred directly or analogised to apply to specific fact patterns. We acknowledge that certain structure such as those described in Example IG2 (Control of LMN local government) and Example IG3 (Control of XYZ University) can be complex and to suggest there could be alternative options based on the specific facts and circumstances is an appropriate approach.

In addition to the four detailed set of implementation examples, the examples provided in the paragraph discussion are useful in understanding the concepts and how the requirements of AASB 10 need to be applied in the context of NFP entities.

**3. Whether the proposed implementation guidance appropriately explains the definition of ‘structured entity’ in AASB 12 for application by NFP entities;**

We agree with the Board’s rationale that in the context of NFP entities; administrative arrangements or statutory provisions would be considered as dominant factors in determining control similar to voting or similar rights in the context of for-profit entities. The key concept in the definition of structured entities is the significance of contractual arrangement in determining control as compared to administrative arrangements, statutory provisions or voting interests and we believe this concept has been elucidated through examples for both public and private sector.

**4. Whether it is appropriate to exclude all disclosure requirements in AASB 12 in respect of GGS financial statements (see the proposed amendments to AASB 1049 set out in the ED);**

We agree with the Board’s decision to exclude the disclosure requirements in AASB 12 in respect of GGS financial statements:

- i. The exemption is consistent with paragraph 45 of the existing AASB 1049 which exempts the General Government Sector (GGS) financial statements from complying with any of the disclosure requirements of the superseded AASB 127 Consolidated and Separate Financial Statements.
- ii. The disclosures would essentially duplicate the AASB 12 disclosures for the whole of government financial statements. As entities included in the GGS financial statements are also included in the whole of government financial statements, the entities’ association with structured entities could be addressed in either set of financial statements. The nature of the risks associated with interests in structured entities is unlikely to change between the GGS level and the whole of government level.

**5. Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, including GFS harmonisation issues;**

As noted in paragraph 6 of the basis of conclusion of the ED, the types of harmonisation differences between AASB 10 and the ABS GFS Manual are not affected by the proposals in this ED since the proposed implementation guidance does not change or depart from the principles in AASB 10. The Board should also before finalising the proposal have discussions with and consider any additional reporting obligations such as those that may be mandated by the Australian Charities and Not-for-profits Commission (ACNC) and which may have to be complied by the NFP entities.

**6. Whether, overall, the proposals would result in financial statements that would be useful to users;**

We believe the new standards AASB 10 and AASB 12 applicable to for-profit entities would improve financial reporting and provide users with more useful information. The implementation guidance applicable to NFP entities retains the concepts in AASB 10 and AASB 12 and adds additional examples and implementation guidance to elucidate those concepts and as such we believe the proposals would be useful to users of financial statements prepared by NFP entities as well.

**7. Whether the proposals are in the best interests of the Australian economy; and**

There are a number of NFP entities operating in the Australian economy. The guidance proposed in the exposure draft would enhance the financial reporting by such entities in the context of determining control and disclosure of interests in structured entities which will be more meaningful and insightful for the users of financial statements. We therefore believe that the proposals are in the best interests of the Australian economy.

**8. Unless already provided in response to the above specific matters for comment, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative.**

We believe that the NFP entities may have to initially incur additional costs to assess the impact as well change the existing systems and processes to align with the requirements of proposed changes. However we do not expect these costs to be incommensurate with the benefits expected in the long run in terms of consistency in reporting and the application of sound principles to the concept of control aligned with the for-profit entities resulting in more qualitative financial reporting across the NFP sector.