



Mr Kevin Stevenson  
Chairman  
Australian Accounting Standards Board  
PO Box 204, Collins Street  
WEST VICTORIA 8007

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

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Grant Thornton Australia Limited  
ABN 41 127 556 389

Level 19, 2 Market Street  
Sydney NSW 2000  
Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230

**T** +61 2 8297 2400  
**F** +61 2 9299 4445  
**E** [info.nsw@au.gt.com](mailto:info.nsw@au.gt.com)  
**W** [www.grantthornton.com.au](http://www.grantthornton.com.au)

Dear Kevin

Exposure Draft ED 238 Consolidated Financial Statements –  
Australian Implementation Guidance for Not-for-Profit Entities

Grant Thornton Australia Limited (Grant Thornton) is pleased to provide the Australian Accounting Standards Board with its comments on ED 238 *Consolidated Financial Statements – Australian Implementation Guidance for Not-for-Profit Entities* (the ED). We have considered the ED, as well as the accompanying draft Basis for Conclusions.

Grant Thornton's response reflects our position as auditors and business advisers to the Australian business community. We work with listed and privately held companies, government, industry, and not-for-profit organisations (NFPs). This submission has benefited with input from our clients, Grant Thornton International, and discussions with key constituents.

We welcome the AASB issuing additional implementation guidance on applying the 'control concept' in the not-for-profit (NFP) sector on the basis that this is an area where significant uncertainty exists in practice. While appreciating that the application of principles-based standards requires the use of professional judgement, we agree that additional guidance is necessary in this instance to assist Australian NFP entities in translating the for-profit perspective in AASB 10 *Consolidated Financial Statements* and AASB 12 *Disclosure of Interests in Other Entities* into the NFP environment.

We also concur with the ED's approach of explaining and illustrating the relevant terms and concepts in the NFP context rather than revising the IFRS-based requirements as we consider IFRS compliance to be paramount to the Australian economy.

Our detailed comments set out in the Appendix to this letter.

If you require any further information or comment, please contact me or Peter Kidd (peter.kidd@au.gt.com).

Yours sincerely  
GRANT THORNTON AUSTRALIA LIMITED



Andrew Archer  
National Audit Leader

## Appendix: AASB Specific Matters for Comment

### Question 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 support adding the Australian NFP implementation guidance into AASB 10 and AASB 12 on the basis that such guidance is necessary in translating the for-profit perspective in AASB 10 and AASB 12 into NFP perspective. As noted in our cover letter, this is an area where there is significant uncertainty in practice and we believe that issuing this guidance will help promote more consistent application of control concept in the NFP sector.

We believe the proposed implementation guidance should be issued as an integral part of the Standards as this will help promote consistency in financial reporting.

### Question 2

**Whether the proposed implementation guidance appropriately explains the definition of ‘control’ in AASB 10 for application by NFP entities, including the following aspects:**

- the broad nature of returns from a controlled NFP entity, including non-financial and indirect benefits (paragraphs IG16 and IG17); and
- the four detailed sets of implementation examples in the proposed Appendix E for AASB 10;

We agree with the level of explanation and illustration provided in the ED.

### Question 3

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

We believe the ED adequately explains the definition of a structured entity in the context of the NFP sector. We appreciate that it is not easy to define a structured entity in the NFP context and agree with the AASB’s conclusion that the reference to ‘similar rights’ in the definition of a ‘structured entity’ encompasses administrative arrangements and statutory provisions as they are common means by which control is determined in the NFP public sector.

## Question 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 do think it is appropriate to exempt GGS financial statements from AASB 12 disclosures on the basis that such disclosures would be captured in the whole of government financial statements.

## Question 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.**

We are not aware of any regulatory issues.

## Question 6

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

We agree that the proposals would result in financial statements that would be useful to users.

## Question 7

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

We agree that the proposals are in the best interests of the Australian economy.

## Question 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 have no further comment.