



ED 151 sub 1

New South Wales  
**TREASURY**

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Dear Professor Boymal

**Invitation to Comment – Exposure Draft 151 Australian  
Additions to, and Deletions from, IFRSs**

New South Wales Treasury welcomes the opportunity to comment on the above exposure draft.

We have the following issues of concern:

*AASB 119 Employee Benefits*

1. ED 151 proposes to delete existing paragraph Aus78.1. The AASB should retain the existing paragraph as it clarifies the Australian environment; i.e. there is no deep market in high quality corporate bonds in Australia. Deletion of this paragraph could lead to inconsistencies.

If the AASB deletes the paragraph, New South Wales Treasury recommends expanding the proposed additional paragraph for not-for-profit public sector entities to include for-profit public sector entities. The government bond rate is equally applicable to not-for-profit and for-profit public sector entities in New South Wales.

2. ED 151 proposes to delete the existing AAS 25 *Financial Reporting by Superannuation Plans* disclosure paragraphs Aus121.1-2. The AASB should retain these paragraphs for transparency. The discount rate used in AAS 25 (expected return on plan assets) is different from the discount rate used in AASB 119 (market yields on government bonds), resulting in a different defined benefit surplus/deficit. Users should be aware of the difference.

New South Wales Treasury also strongly believes that the AAS 25 result gives a more realistic view of 'unfunded superannuation' than does the AASB 119 'net liability' and therefore provides valuable information to users. This is because the expected return on plan assets:

- reflects the current amount of assets that, if invested today, will provide future cash flows that will match the cash outflows for a particular liability; and
- faithfully represents the expected ultimate cash outflow.

*AASB 120 Accounting for Government Grants and Disclosure of Government Assistance*

3. The AASB proposes to amend several existing paragraphs in AASB 120 to align them with the relevant IAS 20 paragraphs. The amendments involve optional treatments available in IFRS currently excluded from AASB 120. NSW Treasury does not agree with the insertion of additional options regarding the treatment of grants for for-profit public sector entities. Not-for-profit entities currently apply AASB 1004 *Contributions* rather than AASB 120. The accounting treatment in the two standards is different. This already introduces inconsistencies at the whole-of-government level between for-profit and not-for-profit entities. Introducing additional options potentially further increases the inconsistencies. For this reason, New South Wales Treasury disagrees with including these options for for-profit public sector entities.

Yours sincerely



Robert Williams  
for Secretary