

20 October 2016

Office of Australian Accounting Standards Board
Podium Level, Level 14, 530 Collins Street,
Melbourne, VIC 3000
Australia

Dear Sirs

Exposure Draft - Fatal Flaw Drafts - Income of Not-for-Profit Entities (AASB 10XX and AASB 2016-X)

On behalf of the City of Swan I make the following submission.

Accounting Standard AASB 1004 Contributions paragraph 30 states that: Control over assets acquired from local government rates would be obtained at the commencement of the rating period or, where earlier, upon receipt. The City of Swan has had to treat rates received in advance as income in the year they are received due to a fundamental income recognition issue in AASB 1004 prepared by the AASB Board.

This causes confusion as to the timing of when to recognise local government rates received in advance as revenue based on the accounting standard paragraph and the matching of revenue to the correct accounting period i.e. rates received in advance in June of any year which relate to rates for the following financial year.

The City is of the view that these revenues should be accrued to the year they apply (Notice of rates payable for a financial year). Prepaid rates should not be recognised as revenues when they are received but shown as a current liability and in turn recognised in the financial year to which they apply.

This approach is supported on the basis that a ratepayer who has made an advance payment can request a refund of those funds prior to the demand for payment (rate notice) is issued in the following financial year. These events do happen which adds support to the position that the City does not have control over the funds. In addition it is the City's view that control over assets acquired from local government rates would be obtained at the commencement of the next rating period.

Financial reports prepared for Council, ratepayers and the general public are fundamentally flawed by recognising prepaid rates in the year they are received. Where the City makes a prepayment for its services it disclosed those as current assets and accrues the expenses to the financial year in which it applies. The treatment of prepaid rates is totally at odds with this concept.

As the City of Swan has a material amount of rates paid in advance we implore the Australian Accounting Standards Board (AASB) to change its view on this matter.

Yours sincerely



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