



ACT
Government

Chief Minister, Treasury and
Economic Development

Ms Kris Peach
The Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West
Victoria 8007

Dear Ms Peach

Kris

Exposure Draft 275 – Definition of a Business and Accounting for Previously Held Interests

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the Australian Accounting Standards Board (AASB) on the Exposure Draft 275: *Definition of a Business and Accounting for Previously Held Interests*.

HoTARAC broadly agrees with the proposed changes, but notes the new definition will require amendment or implementation guidance for application to the not-for-profit and public sector.

Comments by HoTARAC on the AASB Specific Matters for Comment are attached.

If you have any queries regarding HoTARAC's comments, please contact Peter Gibson from the Department of Finance on (02) 6215 3551, email: peter.gibson@finance.gov.au.

Yours sincerely

David Nicol
Chair

Heads of Treasuries Accounting and Reporting Advisory Committee

19 September 2016

1. whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:
(a) not-for-profit entities; and
(b) public sector entities, including GAAP/GFS implications;

AASB 3 *Business Combinations* applies to the not-for-profit sector and the definition of a business is incorporated into Appendix A of AASB 1004 *Contributions* and the definition of restructures of administrative arrangements in public sector entities.

HoTARAC notes that the proposed definition of an output (paragraph B7) is narrower than the current definition and removes the reference to economic benefits. The definition will require an Aus paragraph or implementation guidance for application to the not-for-profit sector, including restructures under paragraphs 54-59 of AASB 1004.

Paragraph BC15 explains the proposed narrowing of the output definition and consistency with IFRS 15 *Revenue from Contracts with Customers*. HoTARAC notes that the AASB is close to finalising a standard on income for not-for-profit entities and, in the longer term, may need to consider consistency in guidance on outputs and revenues for the not-for-profit sector. HoTARAC is not aware of any GAAP/GFS implications.

2. whether, overall, the proposals would result in financial statements that would be useful to users;

Subject to the comments above, the proposals are potentially useful clarification.

3. whether the proposals are in the best interests of the Australian economy;

HoTARAC has no comments.

4. unless already provided in response to specific matters for comment 1 – 3 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative. In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

HoTARAC has no further comments.