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Mr David Boymal
The Chairman
Australian Accounting Standards Board
PO Box 204
COLLINS STREET WEST VIC 8007

28th March 2008

Dear David,

Rc: Invitation to Comment ITC 14: Proposed definition and Guidance for Not-for-Profit Entities

It was good to be involved in the Round Table in Melbourne on Tuesday 11th March 2008. Thank you for the opportunity to present to the gathering.

I would like to say firstly that I agree with the principle you mentioned that you intend to approve the New Zealand Standards where relevant, with appropriate "Australianisation".

I believe it is important that the AASB takes this step forward (ITC 14) urgently and see no reason why we need to delay further. I note that the IASB doesn't have a time-frame on its program for its Not-for-Profit Conceptual Framework project, even including 2009, merely describing it as "TBA". Even then it they may not address the issue of "to whom it applies"

Although my topic at the Roundtable was Guidance for Identifying a Public Benefit Entity (PBE), having listened to the discussion on all four matters of Request for Comments, I wish to make the following observations.

Issue (a) (i) Terminology – Use of the term public benefit entity

I would like the support the use of the term "Public Benefit Entity" because it is also consistent with the United Kingdom Accounting Standards Board's *Statement of Principles for Financial Reporting: Interpretation for Public Benefit Entities* issued in June 2007. I see it as an over-arching and positive description.

Issue (a) (ii) Definition of public benefit entity

I note the useful structure of this definition i.e. a general statement and then guidance on application. I prefer this to alternatives with prescriptive rules that have been previously suggested for Australia.

I believe that as U.K. (as per the above Interpretation) and N.Z. have settled on very similar definitions (see next two paragraphs), that we should accept the N.Z. definition on the grounds that they have a very similar environment to us.

Public-benefit entities are reporting entities whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders. (N.Z.)

Public-benefit entities are reporting entities whose primary objective is to provide goods or services for the general public or social benefit and where any equity has been provided with a view to supporting that primary objective rather than with a view to providing a financial return to equity shareholders. (U.K.)

Issue (a) (iii) guidance for identifying a public benefit entity

The document provides a number of criteria and then gives examples of organisations and comments on their possible classifications. I consider that the criteria are helpful, but always noting that (paragraph NZ AG33), where conflict or ambiguity occurs, “**professional judgment is required**”. I believe if our standards are principles-based, then this will always be an appropriate statement. I would point out that, as in the case of reporting entity (also a ‘New Zealand product’¹), regulators can make their own determinations albeit in this case at the risk of incurring qualified audit reports. Taxation Departments, which have different objectives will also make their determinations, for example even if an entity is a PBE, it may be established to support an overseas community, and therefore the taxation authority/government may wish to exclude it from taxation concessions.

Under this heading, I should mention that relevant Australian examples be given and consideration be given to stating whether they are PBE’s. (The N.Z. document does not.) For the Australian environment, they should cover inter alia: Church Schools, Social Clubs with gaming machines, Foundations (which sometimes provide only cash donations and not “goods or services”), and sporting clubs.

By now, the New Zealand Board should have received sufficient feedback on implementation to provide assistance to the AASB.

¹ Dr Ian Ball “Definition of the Reporting Entity” AARF Theory Monograph No 8 1988

Issue (a) (iv) requirement to disclose that an entity is a profit oriented entity or public benefit entity

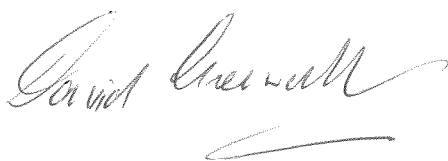
I consider it necessary for entities classifying themselves as “Public Benefit Entities” for financial reporting purposes to disclose this fact. On the other hand I consider it would be too onerous for all other entities to state that they are “profit-oriented”. After all, we do not have this requirement for reporting entities to disclose that they are reporting entities.

CONCLUSION.

I see this as only a stage in assisting the PBE sector in communicating with their stakeholders. In my address to the 2007 CPA Annual Congress in Sydney², I referred to the following possibilities and alternatives:

1. Research into who are the users, and what information they require.
2. Consideration of a separate Conceptual Framework.
3. Consider the idea of having a separate suite of standards
4. Some additional standards, and be exempt from others.
5. More add-ons to existing standards as at present
6. Finally, we could merely have guidance and examples included in the normal standards

Yours sincerely,



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² David T. Greenall: “NFP Accounting Standards- Where to Now?” CPA Congress 2007 NSW.