

AUSTRALIAN NOT FOR PROFIT NETWORK

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31 March 2008

The Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West Victoria 8007
AUSTRALIA

Dear Sir

The Australian Not for Profit Network is a network of independent accountants in public practice who have a special interest in the not for profit sector. The network is represented in all states of Australia.

We are pleased to respond to your Board's invitation to comment ITC 14 in relation to the Proposed Definition and Guidance for Not-for-Profit Entities.

In specific terms, we outline our response to the issues raised as follows --

- (i) In the absence of support from the International Accounting Standards Board (IASB) and some reasonable level of consensus from the sector itself, we do not favour the adoption of the term 'public benefit entity'.
- (ii) Should the term 'public benefit entity' be adopted by the AASB, then we believe the AASB's current definition of a NFP be retained, namely –
an entity whose principal objective is not the generation of profit.

We regard the New Zealand definition as being unnecessarily restrictive, namely –
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.
For example, neither a contemplative religious order or a single-issue political party, would probably not fit into this definition.

- (iii) We readily support the emergence of financial reporting guidance to the not for profit sector and consider this to be an expected outcome of the AASB's mandate promulgated by the Financial Reporting Council.

Furthermore, we welcome the aspiration of the AASB to have the same guidance in Australia and New Zealand, thereby facilitating the work of the FRSB and the AASB to converge their Standards in respect of not-for-profit entities. At the same time we urge the AASB to take into account guidance already developed in other jurisdictions so as to prevent the ANZAC countries becoming isolated in this regard. One way to mitigate this unfortunate development would be to attempt to persuade the IASB to commit to supporting the AASB to extend NFP standards convergence to the global scene.

- (iv) We do not support any requirement for a financial report to disclose that an entity is a profit oriented entity or public benefit entity. This is because that, in the vast majority of cases, the distinction will be self-evident. Should a different reporting framework be adopted by the entity then such a disclosure would be essential.

Sector Specific Guidance

We support the intention of the AASB to locate guidance relevant to not for profit entities in an Appendix, either as an integral part of AASB 101 *Presentation of Financial Statements* or as a supplementary standard to be known (for example) as AASB 101.1 *The reason for this suggestion is that it is most likely that as financial reporting for the NFP sector matures, further changes and additions to the guidance seems inevitable.*

We take this opportunity to applaud your Board's efforts to assist the not for profit sector in Australia by providing Au paragraphs in relevant standards and the initiative of the

Web Site Recommendation

We urge the Board to consider improving the availability of financial reporting guidance and assistance to the not for profit sector via the AASB web site. Many very helpful resources are currently virtually hidden from view, such as the excellent staff paper found at http://www.aasb.com.au/whatsnew/staff_articles/NFP_requirements_Nov_2005.pdf. We believe that a simple addition of an NFP tab and segment on the web site would be greatly appreciated and become very popular within the not for profit sector in Australia.

We trust the above comments and suggestion assist the Board to "provide leadership in the development of a single set of international accounting standards in the not-for-profit sector". [extract from AASB mandate].

Yours faithfully



Kimberly Smith
Chairman
Australian Not for Profit Network Inc.