



3 January 2018

Ms Kris Peach
Chair
Australian Accounting Standards Board
PO Box 204
Collins St West
Vic 8007

Email: standard@asb.gov.au

Dear Ms Peach

**Invitation to Comment:
The AASB's Standard-Setting Frameworks for For-Profit Entities and Not-for-Profit Entities**

Thank you for the opportunity to comment on the above.

In relation to the specific matters for comment, I submit the following:

1. *Is the term "not-for-profit" helpful to understand the nature of the entities in that sector? If not, what other term do you consider more appropriate?*

The term "not-for-profit" can be unhelpful and misleading. Members of the public assume that such entities are not entitled to record profits from their operations. By definition, this would make them unsustainable. The term "non-commercial" may be a more appropriate alternative.

2. *Irrespective of your response to question one, is there enough guidance about which entities are for-profit entities and not-for-profit entities? The NZASB is commencing a project to improve its guidance. Should the AASB work with the NZASB on this?*

There may be sufficient guidance available to determine the nature of an entity. However, that guidance is not readily found, and could be improved by being centralised and included in a specific Interpretation or similar document, and by the

addition of more detail such as specific examples. The fact that the For-Profit Standard-Setting Framework document states in footnote 1 that a NFP “entity is defined in various AASB Standards” illustrates my point.

I recently heard it said that if an entity can legally distribute any amount of accumulated profits to its local government owners, it must be classified as for-profit regardless of whether or not it does make (or intend to make) any such distribution(s), and regardless of the fact that its primary purpose is to provide services to its owners. In my opinion, this view is contrary to that expressed in existing AASB material dealing with this issue. The fact that it can be seen to be open to interpretation is concerning.

It would be useful for the AASB and the NZASB to work together on this matter.

3. *Do you have any other comments on the AASB’s draft Standard-Setting Frameworks?*

I have no further comments on these documents.

Please contact me on 0408 253 770 or swstas@me.com if you would like me to elaborate on the above. Once again, thank you for the opportunity to provide comment.

Yours sincerely

A handwritten signature in black ink, appearing to be 'C. Bell', with a long horizontal flourish extending to the right.

Christine Bell
Chief Executive Officer