

AASB1058 Submission

The accounting standard covering revenue for NFP entities, AASB1058, allows for deferral of revenue on the balance sheet and recognition in future periods where there are defined KPI's or measures to be achieved in future in order for the revenue to be "earned" or allocated to those future periods. Where there are no such KPI's/measures, then even though revenue may be granted to an organisation to cover a specific multi-year period, the organisation is required to recognise all the revenue in the period in which it was received.

This requirement potentially gives rise to the unintended consequence of generating an artificially inflated surplus in one year, followed by deficits in future years. For example, a community legal organisation receives a substantial donation for the organisation to provide a school lawyer at a local high school for the next 3 years. There are no specific KPI's attached to the donation, other than the provision of the school lawyer, and consequently under AASB1058 the organisation is required to recognise all of the revenue when it is received in year 1. The organisation must provide the school lawyer in each of years 1,2 & 3. Hence year 1 shows an artificial surplus, and years 2 & 3 show deficits, with the lawyer's costs being recorded but not the corresponding revenue.

It would more easily enable the intended consequences of funding multi-year programs such as the school lawyer if deferral of the funding revenue was allowed to match the corresponding expenditure for the program without the need to show specific KPI's. My submission requests that AASB1058 is amended to allow this.