

SYDNEY UNIVERSITY SPORT & FITNESS LTD
SUBMISSION TO
AUSTRALIAN ACCOUNTING STANDARDS BOARD
POST IMPLEMENTATION REVIEW REGARDING THE
ACCOUNTING FOR INCOME OF NOT-FOR-PROFIT
ENTITIES

Sydney University Sport & Fitness Ltd
ABN 45 634 542 644

1. Introduction

Sydney University Sport & Fitness Ltd (SUSF) is a registered not-for-profit (NFP) charity and was incorporated on 1 July 2019 after taking over the assets of the previous entity – Sydney University Sport & Fitness (an unincorporated NFP entity)

SUSF qualifies as a Tier 1 entity.

SUSF receives funding from the University of Sydney annually in the form of Student Services Amenities Fees (SSAF).

SUSF is an independent body and is associated with the University by an Affiliation Agreement.

2. SSAF Funding

SSAF represents that element of the University entrance fees that students pay in enrolment and is passed by the University to SUSF and other student related organisations affiliated to the University to provide health and wellbeing facilities to the students.

SSAF funds take the form of Base funding which is agreed under contract each calendar year. Additional SSAF funds may become available during a calendar year and can be awarded to the entity at any time.

SSAF funds can account for upwards of 35% - 40% of our annual revenues and is therefore a significant number. We are now required to account for 35%-40% of our revenue on a receipts basis yet free to account for all our other revenue streams on an accruals basis!!.

In either case, the funds are allocated to specific programs and it is not possible to utilise funds from one program to another program.

3. SUSF Accounting Policy

Since incorporation, SUSF has adopted the standard accrual based accounting model and has adopted AASB 15 until now.

AASB 1058 now imposes two separate accounting treatment to our revenues with some 35% - 45% now accounted for on a cash receipts basis and the balance on the accrual basis – which brings into question the reliability of the financial information reported given two ways of accounting for revenue.

4. SUSF does not support AASB 1058 in its present form

The funds we receive under SSAF is not just one pool of money but rather against a series of programs that SUSF would run on behalf of the University student population. These are specific programs and we are not at liberty to use the funds from one program to support or fund another program.

The contract does not have an end date as such but this does not diminish the fact that there are specific programs against which we must apply these funds. The fact that funds may be received against a program that cannot be run until the next financial year does not take away from the fact that the funds are for a specific program which by nature has specific performance obligation.

The standard is very ambiguous in using 'sufficiently specific' as a term without defining what is 'sufficiently'. This leads to different interpretations being placed on what one deems to be sufficiently specific. In our view, having specific programs is sufficiently specific for us to continue to adopt AASB 15.

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5. Effect of the requirements AASB 1058 on:

(a) Quality and consistency of financial statements and whether they provide relevant and reliable information about an entity's financial position

This has a profound effect on the reliability of our financial statements. It has significantly distorted our results which make them unreliable to readers of our results, including our board, ASIC, to whom we report our financials, general public and importantly financial institutions with whom we have or may wish to have a relationship. We should not have to explain the distortion in our financial statements to anyone. It must be remembered that many readers of financial statements do not have a solid grounding in the application of Accounting Standards and as such are unlikely to understand the apparent logic behind ASAB 1058 when it is clear that the revenue can be matched with the related expense, even if in a different financial year.

One could put forward an argument that internal management accounts should reflect the reality of the situation and be prepared on a different basis. There is no substance to this argument, as it would necessitate keeping two sets of ledgers, which is never a good idea and a waste of management time. It would also be misleading to boards' as they would not reflect what ultimately may be a completely different set of audited financial statements which they will ultimately be required to sign. Secondly, if one considers such a set of accounts as reflecting the reality then it calls into question the 'reality' of the financial statement under AASB 1058.

(b) Comparability, both from period to period for an entity and between entities

Firstly, the introduction of AASB 1058 has caused us to restate our previous year's financial statements. The effect has been very significant in that a relatively small loss has now been turned into a significant profit and our current year financials under AASB 15 returns a small profit will now return a very significant loss – none of which makes any sense.

Even between entities comparisons may become total ineffective. If we take two similar entities, one could report under AASB 15 and the other AASB 1058 depending on whether they meet the rather inadequate criteria set out under AASB 1058. This then makes comparisons either impossible or very ineffective.

(c) the costs to users and preparers of financial information

The costs are effectively that of poor use of management time.

Summary

SUSF does not support having to adopt AASB 1058 in its present form and just simply amending it to have an end date specified will not solve the problem.

Given we are a Tier 1 company it is essential that our financial statements reflect the reality of the situation and having a specific set of programs even without a completion date is sufficiently specific for us to adopt AASB 15.

Reference:

<https://www.charteredaccountantsanz.com/news-and-analysis/insights/perspective-articles/insights-from-the-implementation-of-aasb-1058>

<https://www.charteredaccountantsanz.com/news-and-analysis/advocacy/policy-submissions/submission-on-narrow-scope-amendments-to-aasb-1058>

<https://www.finance.gov.au/government/commonwealth-grants/commonwealth-grants-rules-and-guidelines>