

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

5 December 2007  
Our Ref: FB:DR

Dear David

## **Proposed Agenda Rejection Statement ‘Recognition of Franked Dividend Revenue’**

Thank you for the opportunity to comment on the Australian Accounting Standards Board (AASB) Proposed Agenda Rejection Statement ‘Recognition of Franked Dividend Revenue’ (the ‘Proposed Agenda Rejection Statement’).

Whilst we do not disagree with the AASB’s observations that there is no apparent diversity in practice in accounting for franked dividend revenue in the Australian context at the current time, we question whether the AASB should issue the Proposed Agenda Rejection Statement in its current form, or at all.

We have concerns about the AASB’s approach for the following reasons:

- the Proposed Agenda Rejection Statement focuses on the revenue aspects of franked dividends in isolation. The question of accounting for franked dividends is a complex area that also encompasses income tax accounting and other areas. The analysis provided in the accompanying Issue Proposal is in our view too focussed on pre-2005 Accounting Standards and related analysis, without fully exploring the issues that arise around franked dividends under Australian equivalents to International Financial Reporting Standards
- the International Accounting Standards Board (IASB) is currently undertaking projects on revenue, recognition of dividend income and income taxes which may have an impact on the AASB’s apparent conclusion that franked dividends should be recognised on a net basis. For instance, the IASB’s proposed definition of ‘tax credit’ developed in its income tax project could encompass a franking credit, which may put accounting for franking credits within the scope IAS 12 *Income Taxes*, rather than IAS 18 *Revenue* as is suggested by the Proposed Agenda Rejection Statement
- notwithstanding its non-authoritative status, the Proposed Agenda Rejection Statement in its current form may have unintended consequences in other areas which, in the absence

of a more thorough analysis, may only become apparent after a final Agenda Rejection Statement is issued

- it is unclear whether or not the AASB has consulted with the International Financial Reporting Interpretations Committee to request their view on this matter prior to the issue of the Proposed Agenda Rejection Statement.

In light of the above concerns, we believe that the AASB should not issue an Agenda Rejection Statement on this topic at this time.

In the event that the AASB decides to proceed with the issue of an Agenda Rejection Statement, we would recommend that the reasons for not adding this matter to the agenda be reworded to eliminate the reference to the net basis being adopted. Instead, the reasons should at most state:

- no diversity has been noted in practice on this matter at the current time
- the IASB is currently undertaking projects on revenue recognition, recognition of dividend income and income taxes that may impact accounting for franked dividends in the future.

Rejection of an issue on the above bases, without further reasoning or providing a view, is in our view permissible under the *AASB Interpretations Model*.

If you have any questions concerning our comments, please contact Darryn Rundell on (03) 9208 7916.

Yours sincerely



**Darryn Rundell**  
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