



Australian Government

**Australian Accounting
Standards Board**

Level 4, 530 Collins Street
MELBOURNE VIC 3000
Postal Address
PO Box 204
Collins Street West VIC 8007
Telephone: (03) 9617 7600
Facsimile: (03) 9617 7608

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The Technical Director
International Public Sector Accounting Standards Board
545 Fifth Avenue, 14th Floor
New York, New York 10017
UNITED STATES OF AMERICA

Dear Sir

**AASB submission on IPSASB ED 24
“Financial Reporting Under the Cash Basis of Accounting –
Disclosure Requirements for Recipients of External Assistance”**

In response to the IPSASB’s invitation to comment on its Exposure Draft ED 24 “Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance”, the Australian Accounting Standards Board has prepared the attached submission addressing the specific questions asked and commenting on the proposals in the IPSASB ED.

The AASB supports the IPSASB issuing a Standard covering disclosure requirements of external assistance for entities reporting under the cash basis of accounting and supports the majority of the proposed disclosure requirements.

The Board hopes that its comments in the attached submission will assist the IPSASB when considering the submissions that it has received on the proposals in IPSASB ED 24.

Yours sincerely

A handwritten signature in black ink that reads "David Boymal".

David Boymal
Chairman



Australian Government

Australian Accounting
Standards Board

IPSASB

International Public Sector Accounting Standards Board

Exposure Draft

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING – DISCLOSURE REQUIREMENTS FOR RECIPIENTS OF EXTERNAL ASSISTANCE

Comments to be received by 15 June 2005

INVITATION TO COMMENT

In response to the IPSASBs ED 24, the Australian Accounting Standards Board has prepared the following submission addressing the specific questions asked and commenting on the proposals in the IPSASB ED.

The AASB supports the IPSASB issuing a Standard covering disclosure requirements for recipients of external assistance for entities reporting under the cash basis of accounting and supports the majority of the proposed disclosure requirements.

Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance

Exposure Draft

Comments are invited on any proposals in this Exposure Draft by June 15, 2005. The IPSASB would prefer that respondents express a clear overall opinion on whether the Exposure Draft in general is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the specific issues in the Exposure Draft. Respondents are also invited to provide detailed comments on any other aspect of the Exposure Draft (including materials and examples contained in appendices) indicating the specific paragraph number or group of paragraphs to which they relate. It would be helpful to the IPSASB if these comments clearly explained the issue and suggested alternative wording, with supporting reasoning, where this is appropriate.

Question 1

Whether the proposed definition of "external assistance" in paragraph 5 is sufficiently broad to encompass all official resources received.

The AASB agrees with the proposed definition and the fact that it is limited to "official resources". The AASB believes that assistance received from governments would be accompanied by terms, conditions or restrictions at the outset of receiving the assistance that would provide certainty about the information proposed to be disclosed.

Question 2

Whether other sources of assistance, such as assistance provided by non-governmental organizations (NGOs), should also be included in the definition of "external assistance". Currently, the Exposure Draft requires that entities disclose all official resources received. Official resources as defined in paragraph 5 would exclude certain assistance received from NGOs.

The AASB does not object to assistance provided by non-governmental organizations being included in the definition of "external assistance", however the AASB believes that an entity may not be able to obtain the necessary information from NGOs to make all the proposed disclosures. If the definition of "external assistance" is expanded to include NGOs, the AASB recommends that the proposed Standard includes a requirement that the disclosures are only made to the extent that relevant and reliable information can be obtained from the assistance provider.

Question 3

Whether the Exposure Draft should specify the categories of external assistance as required in paragraphs 13-15 or only require the disclosure of external assistance by "major classes" without further specification.

The AASB believes that the categories of assistance specified may be the most common forms of external assistance received, however, the AASB recommends that the Standard should require the disclosure of external assistance by major classes without further specification to allow each entity to determine the major classes that are most appropriate to them. The AASB would also recommend that the Standard provide guidance on types / categories of major classes including those specified in paragraphs 13-14.

Question 4

The proposal to disclose the balance of, and changes in, undrawn external assistance during the period (paragraph 22)

The AASB agrees with the proposal as it provides useful information to users of the financial report to determine how much external assistance remains available to the entity.

Question 5

The proposal to disclose the terms and conditions of external assistance agreements as required by paragraphs 26-28 and any non-compliance thereof (paragraph 36)

The AASB agrees with the proposals as they provide useful information to users of the financial report (including the assistance provider) to determine whether further external assistance may be required by the entity to undertake a particular activity if there are terms and conditions attached to existing external assistance.

Question 6

Whether the proposals in paragraph 44 as noted below are appropriate:

- (a) To disclose the fair value of non-cash goods-in-kind; and
- (b) That fair value should be based on the prices of equivalent goods and services in the recipient country.

We agree with the proposal to disclose the fair value of goods received and that the fair value should be based on the prices of equivalent goods in the recipient country (or world market or donor's economy in certain circumstances). We note that the IPSASB is addressing in its non-exchange revenue project the accounting treatment and disclosure of in-kind services received, and that the IPSASB discussed the inconsistency between this ED and the non-exchange revenue project at its March 2005 meeting. We agree that the IPSASB should ensure that consistent disclosure is achieved across the two IPSASB projects.

Question 7

Whether the disclosures proposed are appropriate. If the disclosures are considered excessive, the IPSASB would welcome input on which disclosures should not be required. The IPSASB would also welcome input on any key disclosures that have not been dealt with and should be required

The AASB believes that subject to our comments on questions 1 – 6 that the proposed disclosures are appropriate and adequate.

Question 8

Whether the proposal in paragraph 54:

- (a) For a transition period of two years is sufficient to apply this Standard. Is a longer transitional period necessary to ensure that the appropriate authorities in each recipient country are able to access the data necessary to properly account for external assistance?
- (b) To exempt the requirement to disclose comparative figures during the first year of application of this Standard is appropriate

The AASB believes that if the Standard will not be applicable for a number of years after its issuance then transitional relief should not be provided as entities will have adequate time to put systems in place to ensure that the information required to account for and disclose external assistance is available.

The AASB agrees with the proposals for a transition period of two years to apply the Standard and to providing relief from disclosing comparative information in the first year of application of the Standard, but only if a relatively short lead time is given between the issuance of the Standard and its operative date. The AASB agrees that relief should be provided from disclosing comparative information when an entity early adopts the Standard.

Editorial comments

Paragraph	Comment
Throughout	The AASB recommends that throughout the Standard the word "Where" should be replaced with "When" if it refers to a point in time.
3	The last few words of the paragraph should read "...to comply with IFRSs." It is not necessary to mention International Accounting Standards (IASs) because the definition of IFRSs already includes IASs.

Paragraph	Comment
5	<p>Definition of Multilateral External Assistance Agencies – The AASB suggests that the definition reads “...are all government agencies established...” to make it clear that the agencies being referred to are established by governments joining together.</p> <p>Definition of Bilateral External Assistance Agencies – Consistent with the above suggestion, the AASB suggests that the definition reads “...are government agencies established...”.</p>
11	The AASB believes it is more appropriate to include a paragraph reference to the Cash Basis IPSAS associated with the disclosure of payments made by third parties rather than to include all the requirements in this Standard. This is because entities preparing a financial report using the cash basis of accounting in accordance with IPSASs will have to comply with all Cash Basis IPSASs, accordingly it is unnecessary to repeat the requirements.
22(a), 22(b)	The categories of types of assistance listed in the lead in to each of these paragraphs should also refer to “other assistance” to be consistent with paragraph 14.
40	Clarification of what is meant by “applicable interest rates” as used in the last line of paragraph 40 is necessary. Is this meant to be the interest rate attached to the loan?
Appendix 1 – Note 2 (page 29)	In the Total column, External assistance cancelled for 200X-1 should be “(X)”.
Appendix 1 – Note 2 (page 30)	The Total in the Trade Finance column and Balance of Payments Assistance column for 200X should be “.”.
Appendix 1 – Note 3 (page 33, 34, 35)	There should not be subtotal lines below Military Assistance / above Balance of Payments Assistance