

## **Feedback on Exposure Draft 72**

The need for an accounting standard of transfer expenses to ensure consistency of reporting across the board is understood and accepted.

One of the principal functions of our organisation is to provide funding, usually in the form of grants or equity investment to third parties in order for them to develop and produce a film. Therefore, it is essential that we understand how this standard should be applied to our business. However, the standard was not written in plain English and it has required several readings of it to grasp what the standard was trying to achieve.

The concept of “performance obligations” was confusing as the definition of “performance obligations” per the standard is rather different from how we use the concept in our every day work environment. I found it difficult to apply the proposed performance obligation approach to our organisation.

It became increasingly obvious after reading the draft standard several times that it would be preferable for an organisation to argue that it did not fall into the “performance obligations” category. Applying the performance obligation approach would result in some rather interesting reporting if the lifespan of the transfer expense was more than a year. The money could be out of an entity’s bank account but still not be recognised as an expense until a future point in time, making it very confusing for readers of the financial statements. This could also result in some entity’s having to keep two sets of accounts: one for management decision making purposes, and one for annual reporting purposes. Additionally, we report every grant given in a financial year in an Appendix of our Annual Report, this data would not reconcile to the numbers shown in the financial statements, which could make it confusing for our stakeholders. We would be forced to create a reconciliation between what is reported in the financial statements, and what money was physically given out per the appendix and this would be onerous and time consuming.

### **Conclusion:**

The new draft standard is hard to read and hard to apply to our organisation. The outcome of this standard could result in large amounts of additional administrative work, that does not lead to more useful information for the readers/users of the financial statements.