

10 March 2022

Dr Keith Kendall
Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West
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AUSTRALIA

Via website: www.aasb.gov.au

Dear Keith

Exposure Draft (ED) 318, Illustrative examples for income of not-for-profit entities and right of user assets arising under concessionary leases

As the representatives of over 300,000 professional accountants, CPA Australia and Chartered Accountants Australia and New Zealand (CA ANZ) thank you for the opportunity to comment on the above Exposure Draft (ED).

We appreciate the AASB's efforts to develop further illustrative examples and reconsider some of the requirements in AASB 1058 *Income of Not-for-profit Entities* (AASB 1058) in response to concerns raised by stakeholders. As requested, we have confined our comments to the matters raised in this narrow scope amendment. However, in doing so, we recognise that the forthcoming post-implementation review (PIR) of AASB 1058 is both necessary and important so that a range of more fundamental concerns with this standard can be adequately addressed.

Proposed new illustrative example 7A (AASB 15 Revenue from Contracts with Customers (AASB 15)) and amended illustrative example 3 (AASB 1058)

We do not support the proposed new and amended illustrative examples. We recognise that the AASB's intention is to provide additional clarity on the issues addressed by these examples. However, the feedback we received from our members indicates that the proposed wording raises a number of additional questions. In particular, on the application of the requirements in AASB 15 and AASB 1058 to the fact patterns illustrated, which is likely to confuse, rather than clarify, the application of those requirements. In our view the examples are:

- unlikely to provide additional implementation assistance to that already available, and
- may have adverse implications for scenarios where the detailed fact patterns vary from those illustrated.

Therefore, we do not support amending the standards to include the proposed new and amended illustrative examples.

We have not attempted to detail all of our concerns with respect to certain drafting issues because we consider that effectively addressing them will require significant effort. We believe the AASB, and its stakeholders would be better served by focusing the AASB's resources on educational material and the preparation of the PIR consultation document, which will allow all the underlying concerns of our members to be addressed more holistically.

Concessionary leases valuation exemption

We support the AASB's proposal to provide certainty to the not-for-profit (NFP) private sector by making permanent, the temporary exemption that allows entities to choose cost or fair value as a valuation method for concessionary leases. As noted in the [CA ANZ](#) and [CPA Australia](#) submissions to AASB ED 286 *Right-of-Use Assets of Not-for-Profit Entities*, many of our stakeholders face considerable challenges in obtaining fair value information in respect of concessionary leases which we do not believe can be justified on a cost/benefit basis. We received no feedback to indicate that the current disclosure requirements in AASB 16 are inadequate when communicating information about these arrangements in the financial statements.

We also agree that the ongoing work by the AASB on public sector fair value measurement and by the International Public Sector Accounting Standards Board on public sector concessionary leases is of sufficient importance to justify retaining the temporary status of the exemption for public sector NFPs until this work is completed. Again, we have not received any feedback from our stakeholders to suggest that the interim disclosure requirements in AASB 16 are not sufficient.

If you have any questions about our submission, please contact either Ram Subramanian (CPA Australia) at ram.subramanian@cpaaustralia.com.au or Amir Ghandar (CA ANZ) at amir.ghandar@charteredaccountantsanz.com.

Yours sincerely

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