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14 August 2020

Melville Yates FCPA

Director

Reporting, Red Tape Reduction & ACNC Corporate Services

Australian Charities and Not-for-profits Commission

GPO Box 5108, Melbourne, VIC 3001

Via email: [reporting@acnc.gov.au](mailto:reporting@acnc.gov.au)

Dear Melville

**Consultation: ACNC's best practice guide for financial report disclosures**

CPA Australia represents the diverse interests of more than 166,000 members working in over 100 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

CPA Australia supports the proposal by the Australian Charities and Not-for-profits Commission (ACNC) to develop and issue a best practice guide for voluntary disclosure of government revenue by registered charities.

In expressing our support, we make the following comments for your consideration:

- As you will be aware the Australian Accounting Standards Board (AASB) is currently developing a not-for-profit (NFP) financial reporting framework as part of its broader reporting framework project. Once developed and issued, the AASB's NFP financial reporting framework will become applicable not only to charities registered with the ACNC, but also to other NFPs who prepare financial statements that comply with Australian Accounting Standards (AAS). As the primary standard setter for financial reporting by all sectors in Australia, we believe the AASB should play a key role in the development of disclosure proposals such as those contemplated in this Consultation. In our view, the ACNC's proposals to develop and issue best practice guidance for disclosures around expenses, related party transactions and reserves, in addition to government revenue, as considered in this Consultation will be of relevance to the broader NFP community. Accordingly, we suggest the ACNC works with the AASB to ensure that the development of its NFP financial reporting framework incorporates these disclosure considerations.
- It is our view that any voluntary disclosures of government revenue as proposed in this Consultation should be through the notes to the financial statements, and not presented on the face of the Income Statement. This is to avoid the Income Statement becoming unnecessarily lengthy and potentially confusing to readers.

Our responses to specific questions raised in the Consultation are included in the **Attachment** to this letter. If you require further information on the views expressed above, please contact Ram Subramanian on +61 3 9606 9755 or [ram.subramanian@cpaaustralia.com.au](mailto:ram.subramanian@cpaaustralia.com.au).

Your sincerely



**Gary Pflugrath CPA**  
Executive General Manager  
Policy and Advocacy

## Attachment

### Question a

We agree with the proposed voluntary disclosure recommendations 1 and 2. With respect to recommendation 1, we suggest that charities that choose to make the recommended disclosures may wish to consider aggregating the disclosures by level of government or some other meaningful form of aggregation, if disclosures by department or agency results in unnecessarily lengthy note disclosure.

Recommendation 3 relates to disclosure of economic dependency on government revenue. We suggest clarifying within the best practice guide what is meant by “economic dependency” in this context.

Recommendation 4 relates to disclosure of government funding that is not recognised as revenue during the reporting period. Since the focus of these voluntary disclosures are around disclosure of government revenue, we suggest that the proposed voluntary disclosures do remain focused on revenue and should not extend to government funding received that has not yet been recognised as revenue. If the ACNC decides to proceed with this recommended disclosure, as stated in our cover letter we suggest any voluntary disclosures should be made in the notes and not in the Primary Financial Statements. It may also be beneficial to note in the final guidance that such information relates to government funding that has been received but not yet recognised as government revenue.

Based on the information provided in paragraph 4 of Appendix B, we presume these disclosures are aimed at charities General Purpose Financial Statements (GPFS). We suggest clarifying this in the best practice guide.

In defining the term “Material”, AASB 101 *Presentation of Financial Statements* states that “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. We suggest including a recommendation in the guidance that charities that decide to provide the proposed voluntary disclosures should ensure that any material information should not be disclosed in a way that obscures other material information.

### Question b

As stated in our cover letter, we recommend the ACNC works with the AASB to ensure that any disclosures it considers beneficial to users of charity financial reports should be considered as part of the AASB’s NFP financial reporting framework project.