

# TREASURY ANALYSIS - Interpretation 1038

**Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* (Dec 2007) replaces UIG Interpretation 1038 of the same name (Sept 2004)**

## Major impact of changes for 2008/09

- Interpretation 1038 no longer applies to a 'restructure of administrative arrangements'. Instead AASB 1004 *Contributions* applies and requires treatment as a contribution by owners / distribution to owners.
- However, there should be no practical impact on NSW public sector agencies, as these types of transfers were already designated in Treasury's Policy (TPP 08-3) as equity transfers.

## Key features of Standard

- Interpretation 1038 (Dec 2007) applies to annual reporting periods beginning on or after 1 July 2008 (i.e. years ending on or after 30 June 2009, for 30 June year end entities).
- The revised Interpretation 1038 (Dec 2007), substantially replicates the requirements of UIG Interpretation 1038 (Sept 2004) (as applicable for 2007/08), except for the areas discussed under 'main differences' below.

## Main differences applicable for 2008/09 compared to 2007/08

- This Interpretation no longer applies to a government controlled not-for-profit entity or a for-profit government department in respect of a 'restructure of administrative arrangements' (Interpretation 1038, para 6(b)). These types of restructures are now addressed as part of the revised AASB 1004 (Dec 2007) and must be accounted for as a contribution by owners / distribution to owners. Designation as a 'contribution by owners' under Interpretation 1038 is no longer required for these types of transfers. (Refer separate *Treasury Analysis* on the revised AASB 1004).
- A 'restructure of administrative arrangements' is defined in AASB 1004 (Appendix A) and is limited to the transfer of a 'business' as defined in AASB 3 *Business Combinations*; which excludes the transfer of individual assets. However, in substance there will be no change for NSW public sector agencies, as designations in Treasury's Policy (TPP 08-3) for transfers that do not meet the definition of a 'restructure of administrative arrangements' will continue (refer below), unless otherwise advised.

## Impact on the public sector

- There should be no practical impact on NSW public sector agencies, as 'restructures of administrative arrangements' were already designated in Treasury's Policy (TPP 08-3) as 'contributions by owners' / 'distributions to owners'. Treasury's Policy will be amended so that 'restructures of administrative arrangements' are no longer designated by the Policy (as this is no longer necessary as the Standard now mandates the treatment as an equity transfer), but other designations that do not fall within the definition of a 'business' will remain in the Policy, unless otherwise advised.

## Policy and Implementation issues

- Treasury's Policy on contributions by owners (TPP 08-3) will need to be amended, for consistency with the revised AASB 1004 and Interpretation 1038, as discussed above.
- This Interpretation has been issued following a short term review by the AASB. In the longer term, the AASB intends to undertake a fundamental review of this Interpretation.

This summary has been written in general terms and is intended for reference only. Agencies should review the contents of the AASB Standard to determine its application in particular circumstances.