

TREASURY ANALYSIS – AASB 1004

AASB 1004 Contributions (Dec 2007) supersedes the July 2004 version of AASB 1004 and replaces the paragraphs of AAS 27, AAS 29 and AAS 31 dealing with non-reciprocal transfers

Major impacts of changes for 2008/09

- Requires increased disclosures incorporated from AAS 27.
- Restructures of administrative arrangements must be treated as an equity transfer. However, this has no practical impact on NSW public sector agencies, given that these transfers were already designated as equity transfers under Treasury's Policy (TPP 08-3).

Key features of Standard (AASB 1004 applies generally to not-for-profit entities)

- AASB 1004 (Dec 2007) applies to annual reporting periods beginning on or after 1 July 2008 (i.e. years ending on or after 30 June 2008, for 30 June year end entities).
- AASB 1004 carries forward the previous AASB 1004 income recognition requirements regarding contributions of assets and forgiveness of liabilities.
- AASB 1004 carries forward previous paragraphs from AAS 27, AAS 29 and AAS 31 dealing with non-reciprocal transfers, appropriations, taxes, transfer payments, liabilities assumed and contributions by owners.
- Paragraphs on administrative restructures are not carried forward. New paragraphs (54-59) deal with this topic. These paragraphs apply to government controlled not-for-profit entities and for-profit government departments that are reporting entities (see 'main differences' below).
- Other forms of revenue are addressed in AASB 118 *Revenue* (see separate *Treasury Analysis*).

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

- Requires increased disclosure requirements because the AAS 27 requirements, now incorporated into AASB 1004, were more onerous than AAS 29 disclosures. This includes more detailed disclosures regarding contributions recognised as income (para 60) and restructures of administrative arrangements (para 58).
- Requires a 'restructure of administrative arrangements' between government controlled not-for-profit entities and for-profit government departments to be treated as an equity transfer. Under the previous AAS 29 and Interpretation 1038 (Sept 2004), such transfers had to be designated as contributions by owners at the time of the transfer to be treated as such. Therefore, designation is no longer required to treat these types of transfers as equity transfers, because it is now a requirement of the Standard. Also, under AAS 29 the scope was limited to government departments. However, in practice, this should not result in a difference in accounting treatment because administrative restructures were already designated as equity transfers in NSW Treasury's Policy (TPP 08-3).
- 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.
- Omits measurement requirements in AAS 29 regarding restructures of administrative arrangements (i.e. measure at fair value or book value). However, the Basis for Conclusions (para BC28) clarifies that this omission has no practical effect because the Accounting Standards do not specify the measurement basis for such restructures. This means that such restructures can continue to be measured at fair value or book value. However, again, there is no impact because the measurement requirements are specified in Treasury's Policy Paper (TPP 08-3).

Impact on the public sector

- The Standard includes differential application paragraphs (i.e. different paragraphs applying for departments, general government sector, whole of government etc). However, for the most part, this carries forward the existing differential application requirements of AAS 29 and AAS 31).

Policy and Implementation issues

- Treasury's Policy (TPP 08-3) on equity transfers will need to be amended for consistency with the revised AASB 1004. (Also refer separate Treasury Analysis on Interpretation 1038).
- Departments should note that this Standard has been issued following a short-term review by the AASB. In the longer term, the AASB will consider accounting for contributions more fully.

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.

Source References Table

| Paragraph in AASB 1004 | Relevant source paragraph/s in AAS 29 |
|-------------------------------|--|
| 19, 20, first sentence 21 | 10.12.1 – 10.12.3 |
| Second sentence 21 | 10.12.4 (part) |
| 22 – 23 | 10.12.2 and 10.12.4 (part) |
| 26 | 10.12.7 |
| 27 | 10.5.5 |
| 28 – 29 | 10.12.5 |
| 30 | 10.5.10 |
| 31 | 10.5.9 |
| 32 | 10.5 |
| 33 | 10.5.1 |
| 34 – 36 | 10.5.6 – 10.5.7 |
| 37 | 10.5.17 |
| 38 | 10.5.10 |
| 39 – 43 | 8.2, 8.2.1 and 8.2.3 – 8.2.5 |
| 44 | 10.12 |
| 45 | 10.12.6 |
| 46 | 10.12.9 |
| 47 | 10.12.8 |
| 48 – 53 | 11.1 – 11.3 |
| 54 – 59 | 7.4, 7.4.2 and 10.6 – 10.9.3 |
| 60 – 61 | 12.4 and 12.4.1 |
| 62 | 12.2(d) |
| 63 | 12.2(b) and (c) |
| 64 | 12.6 |
| 65 | 12.6.3 |
| 66 | 12.6.2 |
| 67 | 12.6.3 |
| 68 | 12.6.4 |