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Ms Kris Peach
The Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West
Victoria 8007

Our ref ITC 37 - AASB Framework

19 January 2018

Dear Kris

Submission ITC 37 - the AASB's Standard Setting Frameworks for For-profit Entities and Not-for-profit Entities

We are pleased to have the opportunity to comment on Invitation to Comment 37 - *The AASB's Standard Setting Frameworks for For-profit Entities and Not-for-profit Entities* (ITC 37).

We broadly support the draft frameworks (both For-profit Entities and Not-for-profit Entities) set out in ITC 37. We make the following comments in relation to Not-for-profit Entities.

- The term not-for-profit, in our experience, is generally understood and applied consistently across the sector in Australia. In many respects there 'is nothing broken that needs fixing'.
- The not-for-profit definition refers to a principle objective not to generate a profit. Not-for-profit entities usually have an objective to deliver goods or services where a need exists which is not being met by other means. However as part of this objective the entity needs to operate with fiscal responsibility. In many instances this means the entity will generate a profit (which some describe as a surplus).

As such some additional discussion/guidance around interpreting the definition would be useful for users and preparers of financial statements. Such discussion could address the reason for the profit - i.e. to remain fiscally responsible vs. with a view to providing a return to owners/members.

It may also be beneficial to discuss differences between owners/members and beneficiaries of not-for-profit entities. This would include situations where members receive services on below market terms.

with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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- One area that we find inconsistent application is where a group has a mix of for-profit and not-for-profit entities. For example in the consolidated financial statements where the parent is a not-for-profit entity what adjustments (if any) are required for inconsistent accounting policies. As such we would suggest that any further guidance being developed could address this issue. Where the guidance resides, once drafted, would also be a matter to determine.

We would be pleased to discuss our comments with members of the MSB or its staff. If you wish to do so, please contact myself on (02) 9455 9744.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michael Voogt', written over a light blue horizontal line.

Michael Voogt
Director, Department of Professional Practice