



AASB 1004 CONTRIBUTIONS

FACT SHEET

This fact sheet is based on existing requirements as at 31 December 2015 and it does not take into account recent standards and interpretations that have been issued but are not yet effective.

IMPORTANT NOTE

This Standard is an Australian specific standard with no international equivalent. The application date included below is the effective date of the initial version of the Standard.

AASB APPLICATION DATE

AASB 1004 is applicable for annual reporting periods commencing on or after 1 July 2005.

APPLICATION

AASB 1004 applies to not-for-profit entities and the financial statements of General Government Sectors (GGSs) prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting in Australia*.

Paragraph 6 of AASB 1004 contains a table showing the paragraphs applicable to each type of entity to which AASB 1004 applies. This has been reproduced in Appendix 2.

MEASUREMENT AND RECOGNITION

Measurement of Contributions

Income shall be measured at the fair value (see AASB 13 *Fair Value Measurement*) of the contributions received or receivable.

Recognition of Contributions

Income arising from the contribution of an asset to the entity shall be recognised when and only when, all of the following conditions have been met:

- the entity obtains control of the contribution or the right to receive the contribution;
- it is probable that the economic benefits comprising the contribution will flow to the entity; and
- the amount of the contribution can be measured reliably.

A contribution occurs when an entity receives an asset (including the right to receive cash or other forms of asset) without directly giving approximately equal value to the party or parties providing the contribution, i.e. non-reciprocal transfer.

An entity must exercise care when deciding whether the recognition criteria are satisfied, particularly where multi-year public policy agreements are involved or where the donor may not have either a legal or a constructive obligation to provide the contribution.

For example, where a donor pledges for a donation, the beneficiary entity may not have an income until it has control of the contribution. If the pledge is enforceable by the beneficiary entity, it has control of the contribution.

There are instances when it may be difficult to determine whether the entity is providing approximately equal value to the other parties to a transfer.

For example, where a club or a professional association charges fees in return for contributors being able to enjoy the use of facilities, receive publications or practice in a particular vocation for a defined period, an exchange transaction can be presumed and the fees would not be treated as contributions. The recipient of the fees would have a contractual or constructive obligation to refund some or all fees if it were unable to provide the facilities or services. In circumstances where the benefits to contributors are only nominal, such as acknowledgment

letters, general information about the entity's activities and satisfaction of contributors' altruistic goals, the fees are in the nature of contributions.

This principle may be extended to contributions to various levels of government and their departments. Voluntary transfers (e.g. donations) and involuntary transfers (e.g. rates and taxes) are contributions, hence recognised as income. Except for contributions that give rise to a liability or in the nature of contribution by owners, parliamentary appropriations are contributions and therefore income.

Liabilities forgiven

The gross amount of a liability forgiven by a credit provider shall be recognised by the borrower as income.

Where equity is substituted for a liability, this is not treated as a forgiveness.

Recognition of contributions, other than contributions by owners, by Local Governments, Government Departments, General Government Sectors (GGS) or Whole of Governments

Contributions

Contributions, other than contributions by owners, to a local government, government department, GGS or whole of government are received in the form of involuntary transfers, such as rates, taxes and fines, and voluntary transfers, such as grants and donations. In the case of government departments, parliamentary appropriations, other than those that give rise to a liability or that are in the nature of a contribution by owners, may also be a type of contribution.

AASB 1004 requires contributions, other than contributions by owners, to be recognised as income when the transferee local government, government department, GGS or whole of government obtains control over them, irrespective of whether restrictions or conditions are imposed on the use of the contributions.

Control over assets

Control of amounts in the nature of voluntary transfers arises when the transferee can benefit from funds transferred to it and deny or regulate the access of others to those benefits. Therefore, control arises when, for example, government departments can use funds granted or transferred to purchase goods and services or retain those funds for future purchases.

Control over assets acquired from involuntary non-reciprocal transfers, such as rates, taxes and fines, is obtained when the underlying transaction or other event giving rise to control of the future economic benefit occurs.

For example, taxes are recognised when the underlying transaction or event that gives rise to the GGS's or whole of government's right to collect the tax occurs and can be measured reliably.

Taxes collected by Government Departments and Parliamentary Appropriations to Government Departments

Taxes collected by Government departments

It is unlikely that taxes, for example, income tax, will qualify as income of the agency responsible for their collection. This is because the agency responsible for collecting taxes does not normally control the future economic benefits embodied in tax collections.

Parliamentary appropriations to Government departments

Parliamentary appropriations over which a government department gains control during the reporting period shall be recognised as:

- a. income of that reporting period where the appropriation:
 - i. satisfies the definition of income in the *Framework for the Preparation and Presentation of Financial Statements (the Framework)*; and
 - ii. satisfies the recognition criteria for income.
- b. a direct adjustment to equity where the appropriation satisfies the definition of a contribution by owners; or
- c. a liability of the government department where the appropriation:
 - i. satisfies the definition of liabilities in the Framework; and
 - ii. satisfies the recognition criteria for liabilities.

Where the nature of parliamentary appropriations is such that a government department's control over appropriations is not dependent on expenditure or the incurrence of obligations or the completion of agreed outputs, services or facilities, the government department's control of the appropriated amounts occurs at the earliest of:

- a. the commencement of the period to which the appropriations applies;
- b. the receipt of the appropriated funds; and
- c. the date on which the government department's authority to expend appropriated funds becomes effective.

Liabilities of Government Departments assumed by other entities

A liability of a government department that is assumed by the government department is accounted for as follows:

- a. on initial incurrence of the liability by the government department, the government department recognises a liability and an expense;
- b. on assumption of the liability by the government or other entity, the government department shall extinguish the liability; and:
 - i. when the assumption is not in the nature of a contribution by owners, the government department shall recognise income of an amount equivalent to the liability assumed; or

- ii. the assumption of the liability is in the nature of a contribution by owners, the government department shall make a direct adjustment to equity of an amount equivalent to the liability assumed.

Contributions of Services

Contributions of services to local governments, government departments, GGSs and whole of governments are recognised as income when and only when:

- a. the fair value of those services can be reliably determined; and
- b. the services would have been purchased if they had not been donated.

Contributions by Owners and Distributions to Owners of Local Governments, Government Departments and Whole of Governments

Contributions by owners shall be recognised as a direct adjustment to equity when the contributed assets qualify for recognition.

Distributions to owners shall be recognised as a direct adjustment to equity when the associated reduction in assets, rendering of services or increase in liabilities qualifies for recognition.

Contributions by owners can occur upon establishment of the entity or at a subsequent stage of the entity's existence. Contributions by owners can be in the form of cash, non-monetary assets such as property, plant and equipment, or the provision of services.

In some instances, the contribution may result from the conversion of the entity's liabilities into equity.

Restructure of Administrative Arrangements

In relation to a restructure of administrative arrangements:

- A government controlled not-for-profit transferor entity or for-profit government department transferor entity recognises:
 - distributions to owners for assets transferred;
 - contributions by owners in respect of liabilities transferred; and
 - net contribution by owners or distribution to owners if assets and liabilities transferred, as applicable.
- A government controlled not-for-profit transferee entity or for-profit government department transferee entity recognises:
 - contributions by owners in respect of assets transferred;
 - distributions to owners in respect of liabilities transferred;
 - net contribution by owners or distribution to owners if assets and liabilities transferred, as applicable; and
 - expenses and income attributable to transferred activities for the reporting period if activities are transferred are disclosed.

DISCLOSURES

Refer to Appendix 1 for a checklist to assist with AASB 1004 disclosure requirements.

REDUCED DISCLOSURE REQUIREMENTS (RDR)

On 30 June 2010, the Australian Accounting Standards Board published AASB 1053 *Application of Tiers of Australian Accounting Standards* (and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*) which established a differential reporting framework, consisting of two Tiers of reporting requirements for preparing general purpose financial statements:

- a. Tier 1: Australian Accounting Standards; and
- b. Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

A Tier 2 entity is a 'reporting entity' as defined in SAC 1 *Definition of the Reporting Entity* that does not have 'public accountability' as defined in AASB 1053 and is not otherwise deemed to be a Tier 1 entity by AASB 1053.

RDR is applicable to annual periods beginning on or after 1 July 2013.

When developing AASB 1053, the AASB concluded that the Australian Government and state, territory and local governments should be subject to Tier 1 requirements. The AASB also decided that General Government Sectors of the Australian Government and state and territory governments should continue to apply AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, without the reduction in disclosures provided by Tier 2. Other public sector entities are able to apply Tier 2 reporting requirements.

Disclosure requirements under Tier 2 are the same as those under Tier 1 for this standard.

DEFINITIONS

Contributions	Non-reciprocal transfers to the entity.
Contributions by owners	<p>Future economic benefits that have been contributed to the entity by parties external to the entity, other than those which result in liabilities of the entity, that give rise to a financial interest in the net assets of the entity which:</p> <ol style="list-style-type: none"> conveys entitlement both to distributions of future economic benefits by the entity during its life, such distributions being at the discretion of the ownership group or its representatives, and to distributions of any excess of assets over liabilities in the event of the entity being wound up; and/or can be sold, transferred or redeemed.
Non-reciprocal transfer	A transfer in which the entity receives assets or services or has liabilities extinguished without directly giving approximately equal value in exchange to the other party or parties to the transfer.
Restructure of administrative arrangements	<p>The reallocation or reorganisation of assets, liabilities, activities and responsibilities amongst the entities that the government controls that occurs as a consequence of a rearrangement in the way in which activities and responsibilities as prescribed under legislation or other authority are allocated between the government's controlled entities.</p> <p>The scope of the requirements relating to restructures of administrative arrangements is limited to the transfer of a business (as defined in AASB 3 <i>Business Combinations</i>). The requirements do not apply to, for example, a transfer of an individual asset or a group of assets that is not a business.</p>

RELATED INTERPRETATION

- AASB 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*

APPENDIX 1 – DISCLOSURE CHECKLIST

This checklist can be used to review your financial statements. You should complete the “Yes / No / N/A” column about whether the requirement is included. To ensure the completeness of disclosures, provide an explanation for “No” answers.

Refer to Appendix 2 to identify which disclosures are required by each type of entity to which AASB 1004 applies.

CODE		YES / NO / N/A	EXPLANATION (If required)
AASB 1004.18	Has the following information been disclosed: a. contributions of assets, including cash and non-monetary assets; and b. the forgiveness of liabilities?		
AASB 1004.57	Where activities have been transferred as a consequence of a restructure of administrative arrangements, has the government controlled not-for-profit transferee entity or for-profit government department transferee entity disclosed the expenses and income attributable to the transferred activities for the reporting period, showing separately those expenses and items of income recognised by the transferor during the reporting period? If disclosure of this information would be impracticable, has that fact been disclosed, together with an explanation of why this is the case?		
AASB 1004.58	For each material transfer, has the entity disclosed the assets and liabilities transferred as a consequence of a restructure of administrative arrangements during the reporting period? The disclosure should be by class and the counterparty transferor / transferee entity shall be disclosed. With respect to transfers that are individually immaterial, the assets and liabilities transferred shall be disclosed on an aggregate basis.		

CODE		YES / NO / N/A	EXPLANATION (If required)
AASB 1004.60	<p>Has the financial statements disclosed separately, by way of note, the amounts and nature of:</p> <ul style="list-style-type: none"> a. contributions recognised as income during the reporting period in respect of which expenditure in a manner specified by a transferor contributor had yet to be made as at the reporting date, details of those contributions and the conditions attaching to them; b. contributions recognised as income during the reporting period that were provided specifically for the provision of goods or services over a future period; c. contributions recognised as income during the reporting period that were obtained in respect of a future rating or taxing period identified by the local government, GGS or whole of government for the purpose of establishing a rate or tax; d. the nature of the amounts referred to in (a), (b) and (c) above and, in respect of (b) and (c) above, the periods to which they relate; and e. contributions recognised as income in a previous reporting period that were obtained in respect of the current reporting period? 		
AASB 1004.62	<p>Have the complete set of financial statements disclosed separately the fair value of goods and services received free of charge, or for nominal consideration that are recognised during the reporting period?</p>		
AASB 1004.63	<p>Have the complete set of financial statements disclosed:</p> <ul style="list-style-type: none"> a. appropriations, by class; and b. liabilities that were assumed during the reporting period by the government or other entity? 		

CODE		YES / NO / N/A	EXPLANATION (If required)
AASB 1004.64	<p>Have the complete set of financial statements of the government department disclosed separately:</p> <ul style="list-style-type: none"> a. a summary of the recurrent, capital or other major categories of appropriations, disclosing separately: <ul style="list-style-type: none"> i. the original amounts appropriated for the reporting period; and ii. the total amounts appropriated for the reporting period; b. amounts authorised other than by way of appropriation and advanced separately by the Treasurer, other minister or other legislative authority for the reporting period; c. the expenditures for the reporting period in respect of each of the items disclosed in (a) and (b) above; d. the reasons for any material variances between the amounts appropriated or otherwise authorised and the associated expenditures for the reporting period; and e. the nature and probable financial effect of any non-compliance by the government department with externally-imposed requirements for the reporting period, not already disclosed by virtue of (d) above, and that are relevant to assessments of the government department's performance, financial position or financing and investing activities? 		

APPENDIX 2 – APPLICABILITY TABLE

The following table identifies which paragraphs are applicable to each type of entity to which AASB 1004 applies:

TYPE OF ENTITY TO WHICH THE PARAGRAPH IS APPLICABLE	CONTENTS OF PARAGRAPHS	PARAGRAPH NUMBER
Not-for-profit private sector entities	Measurement of contributions	11
	Recognition of contributions of assets	12 – 15
	Liabilities forgiven	16 – 17
	Disclosures	18
Not-for-profit government departments	Measurement of contributions	11
	Recognition of contributions of assets	12 – 15
	Liabilities forgiven	16 – 17
	Disclosures	18
	Recognition of contributions other than contributions by owners	19 – 30
	Taxes collected by government departments	31
	Parliamentary appropriations	32 – 38
	Liabilities of government departments assumed by other entities	39 – 43
	Contributions of services	44 – 47
	Contributions by owners and distributions to owners	48 – 53
	Restructure of administrative arrangements	54 – 59
	Disclosure of contributions	60 – 62
	Government department disclosures	63
Compliance with parliamentary appropriations and other externally imposed requirements	64 – 68	
For-profit government departments	Recognition of contributions other than contributions by owners	19 – 30
	Taxes collected by government departments	31
	Parliamentary appropriations	32 – 38
	Liabilities of government departments assumed by other entities	39 – 43
	Contributions of services	44 – 47
	Contributions by owners and distributions to owners	48 – 53
	Restructure of administrative arrangements	54 – 59
	Disclosure of contributions	60 – 62
	Government department disclosures	63
Compliance with parliamentary appropriations and other externally imposed requirements	64 – 68	
Other government controlled not-for-profit entities	Measurement of contributions	11
	Recognition of contributions of assets	12 – 15
	Liabilities forgiven	16 – 17
	Disclosures	18
	Restructure of administrative arrangements	54 – 59

TYPE OF ENTITY TO WHICH THE PARAGRAPH IS APPLICABLE	CONTENTS OF PARAGRAPHS	PARAGRAPH NUMBER
Local governments	Measurement of contributions	11
	Recognition of contributions of assets	12 – 15
	Liabilities forgiven	16 – 17
	Disclosures	18
	Recognition of contributions other than contributions by owners	19 – 30
	Contributions of services	44 – 47
	Contributions by owners and distributions to owners	48 – 53
	Disclosure of contributions	60 – 62
Whole of governments	Measurement of contributions	11
	Recognition of contributions of assets	12 – 15
	Liabilities forgiven	16 – 17
	Disclosures	18
	Recognition of contributions other than contributions by owners	19 – 30
	Contributions of services	44 – 47
	Contributions by owners and distributions to owners	48 – 53
	Disclosure of contributions	60 – 62
GGs	Measurement of contributions	11
	Recognition of contributions of assets	12 – 15
	Liabilities forgiven	16 – 17
	Disclosures	18
	Recognition of contributions other than contributions by owners	19 – 30
	Contributions of services	44 – 47
	Disclosure of contributions	60 – 62

OTHER MATTERS

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