



Australian Government

Department of the Prime Minister and Cabinet Office of Best Practice Regulation

Reference: 16620
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Mr Angus Thomson
Deputy CEO
Australian Accounting Standards Board
PO Box 204
COLLINS STREET WEST VIC 8007

Dear Mr Thomson

Final Regulation Impact Statement – AASB 15 Revenue from Contracts with Customers

Thank you for forwarding the Regulation Impact Statement (RIS) for the above proposal for further assessment on 5 December 2014. I note that you have formally certified the RIS as required by the best practice regulation requirements.

The Office of Best Practice Regulation (OBPR) assesses RISs against the best practice criteria set out in the *Australian Government's Guide to Regulation*. The OBPR's assessment relates to both the process followed in developing the RIS, and the quality of the analysis contained within the RIS.

I note that the Australian Accounting Standards Board (AASB) has been consistent with the RIS guidelines, having twice provided a certified RIS (addressing all seven elements) to the OBPR for the two-pass assessment before the decision-maker considers the RIS. I also note that the regulatory costs and cost offsets have been agreed with the OBPR.

The OBPR's assessment is that the RIS is consistent with best practice.

The RIS explains that limited guidance in existing revenue standards has led to diversity in the amount and timing of revenue reported by entities in their financial statements. Consequently, the diversity in the application of existing revenue standards has a detrimental effect on the usefulness of the revenue information reported by entities. Failure to adopt IFRS 15 in Australia would mean that international capital markets would cease to regard Australia as an IFRS compliant jurisdiction even if an individual entity did not have any revenue to recognise from contracts with customers.

The recommended option would replace the existing revenue standards with the requirements of IFRS 15. Benefits are expected to include: access to lower costs of capital for Australian businesses; and reduced financial statement preparation costs for foreign and Australian businesses.

Costs incurred by entities may include both once-off and ongoing costs. Costs resulting from this option may include: training and education and staff, the need for external advice on the application of the new standard; review and revision of contracts, systems and processes; and preparation costs associated with collecting additional information for some transactions and maintaining improved systems.

The RIS also provides an indication of the views expressed by stakeholders during consultation. The RIS explains that two proposals that generated a substantial amount of feedback during consultations were: collectability (customer credit risk); and disclosure requirements. The RIS reflects how stakeholders' views on these proposals were taken into consideration in the final proposal.

Please note, the OBPR maintains a RIS website and the Government requires that RISs be posted within 5 business days of a regulatory decision being publicly announced. We would appreciate you advising us when a decision on this proposal is announced, and forwarding a final copy of the RIS in *Microsoft Word .doc* format in a form meeting the Australian Government's *Web Content Accessibility Guidelines*.

We suggest liaising with your web services team to ensure these guidelines are met. The OBPR should be consulted if the RIS is amended. It is the agency preparing the RIS, not the OBPR, which is responsible for the content of the published RIS. The website provides a public comment facility on RISs posted on the site. The OBPR moderates this facility for offensive content but does not moderate debate.

Please retain this letter as a record of the OBPR's advice. Our reference number for this issue is **16620**. If you have any further queries, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to be 'J. McNamara', with a long horizontal line extending to the right.

Jason McNamara
Executive Director
Office of Best Practice Regulation
5 December 2014