

From:**Sent:** Tuesday, 8 March 2016 5:00 PM**To:** Economics, Committee (SEN)**Subject:** RE: Senate Economics Committee - Cooperative, mutual and member-owned firms inquiry - Questions on Notice

Dear Senate Economics Committee

Please find below a response to Questions on Notice Q3 from Chartered Accountants Australia and New Zealand:

Q3. The accounting standards (AASB132) require co-ops to record their shares as liabilities on their balance sheet, whereas a company records its shares as equity. This makes the balance sheet look weak and means that when co-operatives go to a bank for a loan they have to explain that their share capital is a liability. What kind of solutions would bring co-operative shares into the definition of capital under AASB 132?

The International Accounting Standards Board (IASB) is currently undertaking a project on *Financial instruments with the characteristics of equity*. The final outcomes of this project may include possible solutions to bring co-operative shares within the definition of capital under AASB 132.

The IASB's current investigations include potential improvements to (1) the classification of liabilities and equity in IAS 32 *Financial Instruments: Presentation*, including investigating potential amendments to the definitions of liabilities and equities in the *Conceptual Framework*; and to (2) the presentation and disclosure requirements for financial instruments with characteristics of equity, irrespective of whether they are classified as liabilities or equity.

Background to the project is on the IASB's website at <http://www.iasplus.com/en/projects/research/short-term/fice> and the most recent Board discussions on 17 February 2016 are summarised at <http://www.iasplus.com/en/meeting-notes/iasb/2016/february/fi-equity>

In the meantime, the guidance that Chartered Accountants Australia and New Zealand is currently providing to its members in relation to AASB132 is on our website at <http://www.charteredaccountants.com.au/Industry-Topics/Reporting/Publications-and-tools/FAQs-Reporting/FAQs-on-Analysis-of-AASB-standards/AASB132>

Best regards
Sarah

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Leader of Business & Government Affairs

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