



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 219
19 December 2022

Welcome to the AASB Action Alert

The AASB Board met in public on 14 – 15 December 2022. The Board also held a private education session on sustainability reporting on the second day. At the public meeting, the Board made key decisions in relation to:

[Fair Value Measurement for Not-for-Profit Public Sector Entities](#)

[Insurance Activities in the Public Sector](#)

[Non-current Liabilities with Covenants](#)

[Intangible Assets](#)

The Board also discussed the following topics:

[Editorial Corrections and Repeals of Standards](#)

[Sustainability Reporting](#)

[Service Performance Reporting](#)

[Research Update](#)

Fair Value Measurement for Not-for-Profit Public Sector Entities

The Board voted to make Accounting Standard AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*. The Standard modifies AASB 13 *Fair Value Measurement* for application by not-for-profit (NFP) public sector entities. The Standard applies prospectively to annual periods beginning on or after 1 January 2024, with earlier application permitted.

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The Board considered feedback received on the Fatal-Flaw Review draft version of the Standard and decided to make the following changes to that draft in finalising the Standard, which addresses non-financial assets of NFP public sector entities not held primarily for their ability to generate net cash inflows:

- (a) specify that an NFP public sector entity is required to consider whether such an asset's highest and best use differs from its current use only when, at the measurement date, it is:
 - (i) classified as held for sale or held for distribution to owners in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*; or
 - (ii) highly probable that the asset will be used for an alternative purpose;
- (b) in relation to (a)(ii), clarify that one of the conditions for determining at the measurement date that it is highly probable that an asset will be used for an alternative purpose is that, based on reasonably available information, it is highly probable that the current use of the asset will cease within one year;
- (c) clarify that, consistent with AASB 13 paragraph 89, the requirement in paragraph F5 is to use an entity's own assumptions as a starting point in developing unobservable inputs to measure the fair value of such an asset when both the market selling price of a comparable asset and some market participant data required to measure the fair value of the asset are not observable;
- (d) specify that, when applying the cost approach to measure the fair value of such an asset, an entity applies judgement in determining which costs would necessarily be incurred in the hypothetical acquisition or construction of a reference asset with the same service capacity and condition as the subject asset at the measurement date;
- (e) clarify why, in some cases, economic obsolescence would not necessarily exhibit a linear relationship with the reduction in the level of demand for the asset's services;
- (f) replace Illustrative Example 2 with an example independent of Illustrative Example 1; and
- (g) replace Illustrative Example 4 with an example that uses site levelling costs, instead of decontamination costs, to illustrate consideration of site preparation costs when applying the cost approach to measure the fair value of such an asset.

The Standard is expected to be published shortly.



Insurance Activities in the Public Sector

The Board decided to defer the mandatory application date of AASB 17 *Insurance Contracts* for public sector entities until annual periods beginning on or after 1 July 2026 (instead of 1 July 2025), with earlier application permitted.

The Board voted to make the following Accounting Standards:

- (a) AASB 2022-8 *Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments* – to make temporary consequential amendments to various Standards to permit public sector entities to continue to apply AASB 4 *Insurance Contracts* and AASB 1023 *General Insurance Contracts* to annual periods beginning on or after 1 January 2023 but before 1 July 2026; and
- (b) AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* – to make public-sector-specific modifications to AASB 17 for application to annual periods beginning on or after 1 July 2026, with earlier application permitted, after considering feedback received on the Fatal-Flaw Review draft version of the Standard.

AASB 2022-8 applies to annual periods beginning on or after 1 January 2023, in order to defer the application of AASB 17 to for-profit public sector entities as it previously applied to them from that date.

AASB 2022-9 applies to annual periods beginning on or after 1 July 2026.

The Standards are expected to be published shortly.

The NZASB, at its meeting on 13 December 2022, approved public-sector-specific modifications to NZ PBE IFRS 17 *Insurance Contracts* corresponding to the AASB 17 modifications in AASB 2022-9.

Non-current Liabilities with Covenants

The Board voted to make Accounting Standard AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*. AASB 2022-6 amends AASB 101 *Presentation of Financial Statements* to improve the information an entity provides in its financial statements about long-term liabilities with covenants where the entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.

AASB 2022-6 also amends an example in AASB Practice Statement 2 *Making Materiality Judgements* regarding assessing whether information about covenants is material for disclosure.



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The amendments are effective for annual periods beginning on or after 1 January 2024, with earlier application permitted. AASB 2022-6 defers the amendments originally made to AASB 101 by AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*, which were previously deferred by AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* to periods beginning on or after 1 January 2023. Consequently, AASB 2022-6 applies to periods beginning on or after 1 January 2023 in order to defer the amendments from that date for another year.

AASB 2022-6 incorporates the amendments recently made by the IASB in IFRS Standard *Non-current Liabilities with Covenants*. AASB 2022-6 is expected to be published shortly.

The Board will consider the effect of the amendments on AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* in early 2023.

Intangible Assets

The Board decided to implement the intangible assets project plan. The research project is expected to be undertaken in stages, with a 24-month projection:

- (a) Stage 1 (planned for 2023) will focus on disclosures by extending the work in AASB Staff Paper *Intangible Assets: Reducing the Financial Statements Information Gap through Improved Disclosure*, which was published in March 2022; and
- (b) pending stakeholder feedback from Stage 1, later stages (planned for 2023 and 2024) will explore issues and challenges in applying AASB 138 *Intangible Assets* and reporting intangible assets, which is expected to result in various research projects and publications.

Editorial Corrections and Repeals of Standards

The Board voted to make Accounting Standard AASB 2022-7 *Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*. The Standard applies to annual periods beginning on or after 1 January 2023 and is expected to be published shortly.

AASB 2022-7 makes editorial corrections to six Standards and to Practice Statement 2 *Making Materiality Judgements*.

The repeal of superseded principal Standards and of redundant amending Standards does not change the application of any Standards or requirements. The repealed Standards cease to be classified as in-force legislative instruments on the Federal Register of Legislation. There is no change to the availability of the repealed Standards on the AASB website.



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Sustainability Reporting

The Board received an update on international and jurisdictional sustainability reporting developments.

The Board also held a private education session on sustainability reporting. The session provided an overview of legal liability considerations for forward-looking statements, the *National Greenhouse and Energy Reporting Act 2007*, [Draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and [Draft] IFRS S2 *Climate-related Disclosures*. No decisions were made.

Service Performance Reporting

The Board considered an overview of the background to its reactivated project on service performance reporting and related local and international developments. No decisions were made.

The Board discussed aspects that could be considered further in assessing how to progress the project, including:

- (a) the needs of stakeholders who are interested in the performance of NFP entities and calls for greater transparency and consistency in reporting both financial and non-financial information;
- (b) the extent to which financial and non-financial information should be capable of assurance;
- (c) similarities and differences between current reporting requirements and practice in the not-for-profit public and private sectors; and
- (d) the timeframe for adoption if a mandatory pronouncement is to be developed.

In 2023, the Board plans first to consider the aspects noted above in addressing the appropriate baseline for restarting the detailed project work. A draft project plan will be considered later in the year.

Research Update

The Board noted a report of recent Research Centre activities, including:

- (a) the 2022 AASB Research Forum was held jointly with RMIT University on 5 December 2022, addressing a number of sustainability reporting topics, including soil health;
- (b) papers on biodiversity and corporate social responsibility published in the AASB SSRN Working Papers Series;
- (c) progress on research projects on digital assets, policy choices by insurers under AASB 17 *Insurance Contracts* and cost of capital; and
- (d) upcoming joint publications with the AUASB regarding intangible assets and climate-related disclosures and assurance.

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Recently Approved Documents

Since last reported (11 November), the Board has approved the following Standards, Exposure Drafts or other proposal documents.

Date Approved	Document	Effective Date (Standards/Int'ns) or Due Date for Submissions (EDs)
17 November 2022	ITC 50 <i>Post-implementation Review – Income of Not-for-Profit Entities</i>	31 March 2023
17 November 2022	ITC 51 <i>Post-implementation Review of Not-for-Profit Topics – Control, Structured Entities, Related Party Disclosures and Basis of Preparation of Special Purpose Financial Statements</i>	31 March 2023
15 December 2022	AASB 2022-6 <i>Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants</i>	1 January 2023 (1 January 2024)
15 December 2022	AASB 2022-7 <i>Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards</i>	1 January 2023
15 December 2022	AASB 2022-8 <i>Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments</i>	1 January 2023
15 December 2022	AASB 2022-9 <i>Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector</i>	1 July 2026
15 December 2022	AASB 2022-10 <i>Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities</i>	1 January 2024

Documents Open for Comment

The following documents are open for comment. AASB submissions to the IASB, the ISSB, the IFRS Interpretations Committee, the IFRS Foundation, the IPSASB and other organisations are published on the AASB website.

Issuer	Document	AASB No.	AASB Due Date	Other Organisation Due Date
IASB	IFRS Accounting Taxonomy 2022— Proposed Update 2 Lease Liability in a Sale and Leaseback and Non-current Liabilities with Covenants	–	–	28 December 2022



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Issuer	Document	AASB No.	AASB Due Date	Other Organisation Due Date
IPSASB	ED 83 Reporting Sustainability Program Information—RPGs 1 and 3: Additional Non-Authoritative Guidance	–	–	16 January 2023
IFRS IC	Tentative Agenda Decision Definition of a Lease—Substitution Rights (IFRS 16)	–	–	6 February 2023
GRI	ED Draft GSSB Work Program 2023-2025	–	–	17 February 2023
AASB	ITC 49 Post-implementation Review of AASB 1059 Service Concession Arrangements: Grantors	ITC 49	28 February 2023	–
GRI	ED GRI 304: Biodiversity 202X	–	–	28 February 2023
IASB	ED/2022/1 Third edition of the IFRS for SMEs Accounting Standard	–	–	7 March 2023
AASB	Discussion Paper Development of Simplified Accounting Requirements (Tier 3 Not-for-Profit Private Sector Entities)	–	31 March 2023	–
AASB	ITC 50 Post-implementation Review – Income of Not-for-Profit Entities	ITC 50	31 March 2023	–
AASB	ITC 51 Post-implementation Review of Not-for-Profit Topics – Control, Structured Entities, Related Party Disclosures and Basis of Preparation of Special Purpose Financial Statements	ITC 51	31 March 2023	–

AASB Board Future Meeting Dates

1 February 2023
8-9 March 2023
3 May 2023
21-22 June 2023
9 August 2023
13-14 September 2023
11 October 2023
29-30 November 2023

February 2023 AASB meeting

At the next Board meeting, it is expected the Board will address the following agenda items:

Sustainability Reporting