



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 209
5 August 2021

Welcome to the AASB Action Alert

The AASB Board met in public via videoconference on 4 August 2021. At the meeting the Board made key decisions in relation to:

[Business Combinations under Common Control](#)

[Not-for-Profit Private Sector Financial Reporting Framework](#)

[IPSASB Exposure Drafts on Public Sector Measurement](#)

Business Combinations Under Common Control (BCUCC)

The Board deliberated its response to IASB Discussion Paper DP/2020/2 *Business Combinations under Common Control*. The Board decided its submission should support the project scope including transfers preceded or followed by an acquisition from or sale to an external party and transfers conditional on an initial public offering (IPO). In addition, the Board considered the IASB should address other aspects currently outside the project scope (e.g. reporting by the transferring company, transfers of businesses within a jointly controlled group, and transfers of interests in an associate), whether as part of the current project or another project.

Regarding the selection of measurement method proposed, the Board decided its submission should recommend the IASB consider in its redeliberations situations where flexibility in measurement method might be warranted (e.g. whether a wholly-owned entity preparing for an IPO should be permitted to apply the acquisition method instead of the book-value method).

When considering the book-value method, the Board disagreed with the Discussion Paper proposal to measure the transferred assets and liabilities at the book values of the transferring company. Instead, the Board prefers the use of the book values of the controlling party.

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The Board expressed support for other proposals in the Discussion Paper relating to the acquisition method, the book-value method and disclosures.

A subcommittee of the Board will finalise the submission out of session.

Not-for-Profit Private Sector Financial Reporting Framework

The Board decided to specify that the primary objective in developing Tier 3 reporting requirements is to develop simplified financial reporting requirements that meet the needs of users of financial statements of smaller not-for-profit (NFP) entities. To recognise that comparability considerations do not conflict with this primary objective, the Board agreed to amend one of the principles against which it will form its views on Tier 3 reporting requirements – to be included in a Discussion Paper (DP) – to read as follows:

where possible, leverage the information management uses to make decisions about the entity's operations. The ability to leverage the information management uses is made within the context of the NFP conceptual framework, user needs and cost/benefit considerations, and the aim for comparability within Tier 3 reporting requirements.

The Board decided to propose, for the purpose of the DP:

- permitting Tier 3 entities to change accounting policies voluntarily if the change results in financial statements providing more reliable and relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows; and
- requiring a limited retrospective approach for accounting for changes in accounting policies (both voluntary changes, and required changes where no specific transition requirements apply) and for corrections of errors. The limited retrospective approach recognises the cumulative effects on prior periods in the current period's opening retained earnings, without restating the comparative period(s).

The Board supported the revised project timeline, with publication of the DP expected in the second half of 2022.

IPSASB Exposure Drafts on Public Sector Measurement

The Board considered a draft submission to the IPSASB on Exposure Drafts ED 76 *Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements* and ED 77 *Measurement*, primarily regarding the core principles of the proposed current operational value (COV) measurement basis.



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Subject to considering further feedback on AASB Invitation to Comment ITC 45, the Board decided that its submission to the IPSASB should include the following comments:

- (a) the IPSASB has not made a convincing case in ED 76 and ED 77 for rejecting fair value as the current value measurement basis for operational capacity assets;
- (b) ED 76 and ED 77 are unclear whether COV is a measure of the cost required to replace the service potential of an asset or an intrinsic value to the entity of an asset's remaining service potential;
- (c) the Board recommends that the IPSASB clarifies whether an asset's COV incorporates its residual value; and
- (d) the selection of the measurement approach under fair value measurement of restricted operational capacity assets should be in accordance with the general principles in IFRS 13 *Fair Value Measurement*, without imposing further constraints.

The Board also decided to note in its submission the IASB's explanation of the concepts of 'market participants in a hypothetical transaction' and 'highest and best use' in IFRS 13 as a basis for supporting the general view that fair value is appropriate even for specialised assets of not-for-profit public sector entities, as well as acknowledging that additional guidance has been requested by Australian stakeholders to assist with the application of these concepts.

The Board will continue its deliberations on the IPSASB Exposure Drafts at the next meeting.

Recently Approved Documents

Since last reported (24 June 2021), the Board has approved the following Standards, Exposure Drafts or other documents.

Date Approved	Document	Effective Date (Standards/Int'ns) or Due Date for Submissions (EDs)
3 August 2021	ED 312 <i>Disclosure of Accounting Policies – Proposed Amendments to Tier 2 and Other Australian Accounting Standards</i>	4 October 2021
3 August 2021	<i>AASB For-Profit Entity Standard-Setting Framework</i>	July 2021
3 August 2021	<i>AASB Not-for-Profit Entity Standard-Setting Framework</i>	July 2021
4 August 2021	ED 313 <i>Initial Application of AASB 17 and AASB 9 – Comparative Information</i>	20 August 2021



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Documents Open for Comment

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

Issuer	Document	AASB No.	AASB Due Date	Other Organisation Due Date
IASB	Request for Information Third Agenda Consultation	ITC 44	16 August 2021	27 September 2021
IASB	ED/2021/8 Initial Application of IFRS 17 and IFRS 9—Comparative Information	ED 313	20 August 2021	27 September 2021
IASB	Discussion Paper DP/2020/2 Business Combinations under Common Control	ITC 42	closed	1 September 2021
IASB	ED/2021/4 Lack of Exchangeability	ED 310	closed	1 September 2021
IPSASB	ED 80 Improvements to IPSAS, 2021	–	–	30 September 2021
IASB	ED/2021/6 Revised Practice Statement on Management Commentary	ED 311	1 October 2021	23 November 2021
AASB	ED 312 Disclosure of Accounting Policies – Proposed Amendments to Tier 2 and Other Australian Accounting Standards	ED 312	4 October 2021	–
IASB	ED/2021/3 Disclosure Requirements in IFRS Standards—A Pilot Approach	ED 309	15 October 2021	12 January 2022
IPSASB	ED 76 Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Instruments	ITC 45	closed	25 October 2021
IPSASB	ED 77 Measurement	ITC 45	closed	25 October 2021
IPSASB	ED 78 Property, Plant and Equipment	–	–	25 October 2021
IPSASB	ED 79 Non-current Assets Held for Sale and Discontinued Operations	–	–	25 October 2021
IPSASB	Mid-Period Work Program Consultation	–	–	30 November 2021
IASB	ED/2021/7 Subsidiaries without Public Accountability: Disclosures	–	–	31 January 2022

AASB 2021 Scheduled Board Meeting Dates

8-9 September

10-11 November

September 2021 AASB meeting

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

AASB 1058 *Income of Not-for-Profit Entities* Narrow-scope Amendments

AASB Agenda Consultation

IASB Agenda Consultation



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AASB 2021 Scheduled Board Meeting Dates

September 2021 AASB meeting

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Insurance Activities in the Public Sector

Intangibles Reporting

IPSASB Exposure Drafts on Public Sector Measurement

Not-for-Profit Private Sector Financial Reporting Framework

Post-implementation Reviews