



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 187
11 October 2017

Welcome to the AASB Action Alert

The AASB Board met in public on 10 October 2017. At the meeting the Board made key decisions in relation to:

- [Licences](#)
- [Australian Financial Reporting Framework – Draft Consultation Paper on Charities](#)
- [Insurance Contracts](#)

The Board also discussed the following topics:

- [Presentation – Hans Hoogervorst, Chairman, IASB](#)
- [IASB Practice Statement 2 – Making Materiality Judgements](#)
- [Social Benefits](#)
- [Deferral of Effective Date of Amendments to AASB 10 and AASB 128](#)

Licences

The Board decided that the scope of the ED on accounting for revenue from licences issued by public sector entities will be limited to not-for-profit (NFP) public sector entities. The Board also decided that the ED should include:

- proposals that would require, for intellectual property (IP) licences, the specific requirements/guidance in AASB 15 *Revenue from Contracts with Customers* on accounting for revenue from IP licences to apply without amendment;
- proposals that would require revenue from non-IP licences to be accounted for in accordance with the general requirements in AASB 15, including the accounting for variable consideration;

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- (c) a specific matter for comment asking whether the specific guidance in AASB 15 on accounting for variable consideration from IP licences should also be made applicable to non-IP licences;
- (d) guidance to help entities determine whether a licence is distinct or not distinct from other goods or services in the arrangement (eg licences for quotas of tangible items such as fish are not distinct);
- (e) clarifications to help entities identify performance obligations in non IP licences issued by the public sector, including clarifying that a 'promise' to protect the licensee's rights (ie exclusivity) is not a performance obligation of the licensor but an attribute of the promised licence;
- (f) a specific matter for comment asking whether the proposed amendments to AASB 15 should include practical expedients, consistent with those in AASB 16 *Leases*, to allow up-front revenue recognition for low-value and/or short-term licences;
- (g) guidance in relation to identifying a taxation component of a licence fee; and
- (h) implementation examples to help entities apply the proposed guidance.

Australian Financial Reporting Framework – Draft Consultation Paper on Charities

The Board provided feedback on a draft Consultation Paper to improve the financial reporting framework for charities. The Board noted the Consultation Paper is to assist charities to provide input to the legislative review of the ACNC, commencing 3 December 2017. Accordingly regulators including the ACNC and relevant State regulators will be engaged to participate in the consultation process. The Board is particularly interested in consulting with users of charity financial statements.

Insurance Contracts

The Board agreed that the proposed amendments to AASB 17 *Insurance Contracts* to include insurance risk created by statute rather than contract should apply to both for-profit and NFP public sector entities, as insurance-like arrangements arising from statute are sufficiently prevalent in both sectors.

To finalise the Discussion Paper proposals, the Board decided to clarify that:

- (a) in determining whether an arrangement is insurance-like, criteria that are classified as 'mandatory' must be satisfied, but this is not sufficient to conclude that an arrangement is insurance-like (ie the non-mandatory indicators must also be considered); and



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- (b) guidance should specify that a public sector entity's risk adjustment for non-financial risk should reflect the specific risk appetite and cost of capital of the entity in line with the general principles of AASB 17, and therefore it may be necessary to consider aspects such as government guarantees supported by taxing powers or monopoly status.

In addition, the Board decided in relation to Australian-specific amendments to AASB 17:

- (a) a project timeline, which includes both a discussion paper and exposure draft, with a view to completing the project by November 2018;
- (b) to include illustrative examples as an appendix to the discussion paper to help entities determine when arrangements are insurance-like;
- (c) to expose in the discussion paper regulatory disclosures currently required in AASB 1038, which were not carried forward when superseded by AASB 17, with a recommendation to not carry forward the disclosures to AASB 1054 *Australian Additional Disclosures*; and
- (d) to do no further work on the interaction between AASB 17 *Insurance Contracts* and AASB 1056 *Superannuation Entities* when a superannuation entity has to consolidate an subsidiary issuing insurance contracts.

Presentation – Hans Hoogervorst, Chairman, IASB

The Chairman of the IASB, Hans Hoogervorst, presented an overview of the IASB's activities, including the transition work in support of IFRS 17 *Insurance Contracts*, priority projects such as the various parts of the Disclosure Initiative project and other communication activities, and the potential for the IASB to address broader financial reporting topics.

Deferral of Effective Date of Amendments to AASB 10 and AASB 128

The Board further deferred the effective date of amendments made in AASB 2014-10 to AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*, to periods beginning on or after 1 January 2022. The Board noted that legal requirements in Australia mean that the amendments cannot be deferred indefinitely (the IASB's approach). The amendments remain in place so that they can be adopted early, consistent with the IASB outcome.



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IASB Practice Statement 2 – Making Materiality Judgements

The Board concluded that additional work on the IASB's Practice Statement 2 *Making Materiality Judgements* is required to include references to Australian-specific regulations and to extend the examples to address NFP issues. The Board intends to review a draft Practice Statement or guidance at its December 2017 meeting.

Social Benefits

The Board noted that the IPSASB will shortly be issuing Exposure Draft 63 *Social Benefits* for comment by 31 March 2018. The Board decided to formally issue ED 63 in Australia for comment to the Board, to inform the Board in preparing its submission to the IPSASB. The Board is likely to issue an Australian-specific ED as the IPSASB's project concludes.

Recently Approved Documents

Since last reported (16 August 2017), the Board has approved the following Standards, Exposure Drafts or other documents:

Date Approved	Document	Effective Date (Standards) Due Date for Submissions (EDs)
18 September 2017	Exposure Draft ED 281 <i>Accounting Policies and Accounting Estimates</i>	17 November 2017
25 September 2017	Exposure Draft ED 282 <i>Definition of Material</i>	17 November 2017

Documents Open for Comment

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

Originating Organisation	Document	AASB No.	AASB Due Date	Other Organisation Due Date
IASB	Exposure Draft <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	ED 280	18 September 2017	16 October 2017
IPSASB	Exposure Draft <i>Financial Instruments</i>	–	–	31 December 2017



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Originating Organisation	Document	AASB No.	AASB Due Date	Other Organisation Due Date
IASB	Exposure Draft <i>Accounting Policies and Accounting Estimates</i>	ED 281	17 November 2017	15 January 2018
IASB	Exposure Draft <i>Definition of Material</i>	ED 282	17 November 2017	15 January 2018
IPSASB	Invitation to Comment <i>Accounting for Revenue and Non-Exchange Expenses</i>	–	–	15 January 2018
AASB	Invitation to Comment <i>Draft Appendix to the Tax Transparency Code</i>	–	28 February 2018	–

Upcoming meetings and events

1 November 2017	NZASB Meeting
10 November 2017	FRC Meeting
23 November 2017	Presentation: Sue Lloyd, Board Member, IASB – co-hosting with CRUF and BDO, EY and KPMG
24 November 2017	AASB Research Forum

AASB 2017 Scheduled Board Meeting Dates

12-13 December AASB meeting

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

12-13 December 2017	Australian financial reporting framework
	Public sector licences
	Reduced disclosure requirements