

## **AASB Staff Issues Paper AASB 13 Disclosures for Not-for-Profit Public Sector Entities – Due Process Considerations**

### **Purpose**

- 1 The purpose of this staff paper is to decide the form and extent of due process to be undertaken, should the Board decide to proceed with the modification of AASB 13 *Fair Value Measurement* for not-for-profit (NFP) public sector entities proposed in Agenda Paper 3.2.

### **Alternatives for Progressing the Project**

- 2 Staff have identified the following alternatives for progressing the project:<sup>1</sup>
  - (a) **Issue an Exposure Draft (ED).** The Board could direct staff to prepare an exposure draft to expose specific proposals to constituents for feedback; or
  - (b) **Issue an Amending Standard.** The Board could direct staff to prepare an Amending Standard if it is of the view that sufficient due process has already been undertaken.

### Staff Recommendation

- 3 Staff have previously conducted outreach activities to seek feedback from preparers, auditors and valuation experts<sup>2</sup>. Staff note that the feedback received was consistent with disclosure concerns being mostly in relation to PPE within the scope of AASB 116 *Property, Plant and Equipment* measured on the fair value basis, and that the disclosures of concern commonly mentioned were the disclosure of quantitative information about significant unobservable inputs and the sensitivity of the fair value measurement to changes in inputs. Staff also note that constituents have, before the issue of AASB 13, also expressed concerns about the disclosure requirements of AASB 13 to NFP public sector entities, and that these were discussed by the Board prior to the issue of AASB 13 (see paragraph 3 of Agenda Paper 3.2)
- 4 While the AASB have already received some feedback in this area, staff think that it is important for constituents to be provided with an opportunity to comment on the specific proposals that the Board intends to make and the Board's reasons for its proposals. As such, staff do not recommend immediately finalising any proposals in an Amending Standard. Staff recommend that the Board issue an Exposure Draft for public comment.

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1 Paragraph 46 of the *AASB Policies and Processes* describes the AASB's due process activities when developing pronouncements. Paragraph 49 of the *AASB Policies and Processes* describes different types of documents that could be issued for public comment and discussion with constituents. The *AASB Policies and Processes* is available on the AASB website at:

[http://www.aasb.gov.au/admin/file/content102/c3/Policy\\_Statement\\_03-11.pdf](http://www.aasb.gov.au/admin/file/content102/c3/Policy_Statement_03-11.pdf)

2 See Agenda Paper 9.2 of the AASB December 2014 meeting.

[http://www.aasb.gov.au/admin/file/content102/c3/M142\\_9.2\\_Staff\\_Paper\\_Staff\\_Outreach\\_and\\_Alternatives\\_for\\_Progressing\\_the\\_Project.pdf](http://www.aasb.gov.au/admin/file/content102/c3/M142_9.2_Staff_Paper_Staff_Outreach_and_Alternatives_for_Progressing_the_Project.pdf)

- 5 Staff are conscious that the Board would like to issue final proposals in time for early adoption by NFP public sector in respect of financial years ending 30 June 2015. To achieve this objective, staff recommend a 30-day comment period on the Exposure Draft.

**Question to Board Members**

- Q1 Do Board members agree with the staff recommendations in paragraphs 4-5 to issue an Exposure Draft with a 30-day comment period?

**Related Matters for Board Consideration**

- 6 **Application date and early adoption.** As the proposals will reduce the disclosure burden for NFP public sector entities, staff do not consider there to be any reasons for delaying the application date of the amendments. Accordingly, staff recommend that the proposed amendments apply to annual reporting periods beginning on or after 1 July 2016, being the start of the financial year for many NFP public sector entities. Staff recommend that early adoption be permitted as a Board consideration in undertaking this project was to ensure entities would be able to take advantage of any relief, if made available, for their June 2015 financial year end. (Note that an application date of 1 July 2015 is not possible due to the expected timing of the issuance of any Amending Standard.)

**Question to Board Members**

- Q2 Do Board members agree with the staff recommendations in paragraph 6 for the proposed amendments to apply to annual reporting periods beginning on or after 1 July 2016, and for early adoption to be permitted?

- 7 **Transitional provisions.** As the proposals provide relief from existing disclosures, staff do not consider any specific transitional provisions to be necessary. (Accordingly, the proposed amendments will apply retrospectively)

**Question to Board Members**

- Q3 Do Board members agree that no specific transitional provisions are necessary?

**Proposed Project Plan**

- 8 Staff propose the following project plan:
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|---------------------|---|
| 15 April            | Board makes key decisions on project  |
| 22 April – 27 April | Board subcommittee reviews draft Exposure Draft   |
| 29 April            | Exposure Draft sent to Board for vote by 12 May   |
| 19 May – 17 June    | Exposure Draft open for 30-day comment  |
| 8 – 9 July          | Board considers comment letters on the ED and finalises proposals at its July Board meeting |
| Early August        | Amending Standard is issued   |

**Question to Board Members**

- Q4 Do Board members agree with the staff proposed project plan, including review of a draft Exposure Draft by a Board subcommittee?