

# AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 171  
16 April 2015

## Welcome to the AASB Action Alert

The AASB Board met in public on 15 April 2015. At the meeting the Board made key decisions relating to:

- **Fair Value Disclosures for Not-for-Profit Public Sector Entities** – an Exposure Draft proposing limited relief for not-for-profit public sector entities from certain AASB 13 *Fair Value Measurement* disclosures will be issued.
- **Fair Value Measurement of Defence Weapons Platforms** – the relief provided in AASB 1049 *Whole of Government and General Government Sector Financial Reporting* will not be extended beyond the current date of 30 June 2015.

The Board also discussed the following topic:

- **Reporting Service Performance Information** – a revised draft ED will be discussed at the May 2015 AASB meeting and it is anticipated that the ED will be issued for comment in July 2015.

## Fair Value Disclosures for Not-for-Profit Public Sector Entities

The Board decided to issue an Exposure Draft (ED) proposing limited relief for not-for-profit (NFP) public sector entities from certain disclosures specified by AASB 13 applying only to fair value measurements categorised as Level 3 in the fair value hierarchy. It is anticipated that the amendments will be finalised in time for early adoption by entities for 30 June 2015 financial year-ends.

In responding to concerns that the costs of providing the Level 3-only disclosures outweigh the benefits, the Board considered the following factors:

- (a) the pervasiveness of non-financial asset fair values in the public sector and the usefulness of the information provided to users when aggregated into classes of assets disclosures; and

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- (b) current Board projects on the review of the Reduced Disclosure Regime (Tier 2), the Australian Reporting Framework and the Conceptual Framework, as their outcomes may change the Board's current assessment of the costs versus benefits.

The Board tentatively decided that the proposed relief would:

- (a) be limited to property, plant and equipment (including infrastructure assets) within the scope of AASB 116 *Property, Plant and Equipment* that are held for their current service potential rather than to generate future cash inflows; and
- (b) include relief from disclosure of quantitative information about the significant unobservable inputs used in the fair value measurement and a description of the sensitivity of the fair value measurement to changes in those unobservable inputs. The Board acknowledged that AASB 13 only requires the sensitivity description to be narrative, and that an example of the disclosure is included in the Illustrative Examples accompanying IFRS 13 *Fair Value Measurement*.

The Board also tentatively decided that it was not necessary to propose relief from disclosing a reconciliation of the movements in each class of assets measured at fair value and categorised as Level 3, or a description of the valuation processes used by the entity. The Board noted that disclosure of a description of the inputs used in the fair value measurement would continue to be required.

The Board directed staff to prepare an adverse-comment ED with a 30-day comment period.

### **Fair Value Measurement of Defence Weapons Platforms**

The Board decided not to extend the relief provided in AASB 1049 paragraph 13C, which permitted a government to elect not to apply Chapter 2 of the ABS's *Amendments to Australian System of Government Finance Statistics* (issued 5 April 2011) for reporting periods ending before 30 June 2015. Chapter 2 requires assets, such as DWPs, to be measured at fair value.

In responding to the request to extend the transitional relief, the Board noted:

- (a) there are many public sector assets that are difficult to value – including heritage assets and land under roads;
- (b) practical issues relating to the reliable measurement of DWPs at fair value for the financial year ending 30 June 2015 need to be resolved by the preparers and the auditors and cannot be resolved by the AASB; and

- (c) any review of the requirements of AASB 1049 would need to be subject of a thorough due process.

The Board determined that a review of AASB 1049 should not be undertaken at this stage.

The Board's decision is consistent with the initial decision in 2012 that the transitional relief for the fair value of DWPs should be sufficient and it would not be necessary to provide further relief in the future.

### **Reporting Service Performance Information**

The Board reviewed a draft ED on Reporting Service Performance Information. In developing the proposals, staff considered existing guidance in the International Public Sector Accounting Standards Board (IPSASB) Recommended Practice Guideline RPG 3 *Reporting Service Performance Information* as well as the current NZ Accounting Standards Board proposals. The Board tentatively decided:

- (a) the proposals would apply to whole of government and general government sector financial statements. However, it was noted that practical issues may exist where there is no 'whole of government' plan, accordingly comments will be specifically requested;
- (b) the ED will include a question as to whether the application of the ED should be expanded to include for-profit entities;
- (c) the final Standard should be mandatory but comments will be specifically requested on the pronouncement's status;
- (d) the proposed application date is for periods beginning 1 July 2017;
- (e) not to define accountability; and
- (f) to include Application Guidance and Illustrative Examples in the ED, with some examples to be based on those in the recently issued IPSASB RPG 3.

The Board also discussed a possible limited-scope project to revise the current AASB definition of a NFP entity but tentatively decided not to undertake such a project at this stage.

A revised draft ED will be discussed at the AASB May 2015 meeting. The Board is expecting to issue an ED on Reporting Service Performance Information in July 2015.

Click [here](#) for the Reporting Service Performance Information project summary.

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### Recently Approved Documents

Since last reported (13 February 2015), the Board has approved the following Standards and Exposure Drafts:

Date Approved	Document	Effective Date (Standards) Due Date for Submissions (EDs)
12 February 2015	ED 259 <i>Classification of Liabilities</i> (Proposed amendments to AASB 101)	9 May 2015
23 February 2015	Tentative Agenda Decision – <i>Recognition of Residual Value for Infrastructure Assets</i>	20 April 2015
31 March 2015	AASB 2015-6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</i> .	1 July 2016

### 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	ED/2015/1 <i>Classification of Liabilities</i> (Proposed amendments to IAS 1)	ED 259	9 May 2015	10 June 2015
AASB	Tentative Agenda Decision – <i>Recognition of Residual Value for Infrastructure Assets</i>	-	-	20 April 2015

### Upcoming meetings and events

22 April 2015	New Zealand Accounting Standards Board Meeting (NZASB)
27-28 May 2015	AASB Meeting
2 June 2015	New Zealand Accounting Standards Board Meeting (NZASB)
23-26 June 2015	International Public Sector Accounting Standards Board Meeting (IPSASB)
8-9 July 2015	AASB Meeting
16-17 July 2015	Accounting Standards Advisory Forum Meeting (ASAF)



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<b>AASB 2015 Scheduled Board Meeting Dates</b>	<b>27-28 May 2015 AASB meeting</b> At the next Board meeting it is expected the Board will deal with the following items:
27-28 May 2015	• Reporting Service Performance Information
8-9 July 2015	• Recognition of Residual Value for Infrastructure Assets
2-3 September 2015	• Reduced Disclosure Requirements Principles
21-22 October 2015	• Depreciation Replacement Cost as Value In Use
2-3 December 2015	• Classification of Liabilities
	• International Projects Update