Australian Government
Australian Accounting Standards Board

Memorandum

To:	**AASB Members**	**Date:**	23 June 2015
From:	**Evelyn Ling & David Ji**	**Agenda Item:**	3.1 (M146)
Subject:	**Fair Value Disclosures of Not-for-Profit Public Sector Entities**	**Project Priority**	High
Project Status:	**Redeliberations**	**Decision-Making:**	High

Actions

Decide how to finalise the Board's proposals exposed in Exposure Draft 262 *Fair Value Disclosures of Not-for-Profit Public Sector Entities*.

Link to project summary & ED 262

Project summary: http://www.aasb.gov.au/admin/file/content102/c3/Fair_Value_Disclosures_for_Not-for-Profit_Public_Sector_Entities_Project_Summary.pdf

ED 262: http://www.aasb.gov.au/admin/file/content105/c9/ACCED262_05-15.pdf

Attachment

Agenda Paper 3.2 Draft AASB 2015-X *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*

Feedback on ED 262

The Board issued ED 262 for adverse comment in May 2015. ED 262 proposed relieving not-for-profit public sector entities from certain Level 3 fair value disclosures for property, plant and equipment within the scope of AASB 116 *Property, Plant and Equipment* which are primarily held for their current service potential rather than to generate future net cash inflows (see Appendix A). The Board considered that an adverse comment ED would be sufficient due process having regard to the feedback already received during its initial outreach activity. The comment period closed on 4 June 2015 and no comment letters were received.

Overview of Agenda Paper 3.2

Agenda Paper 3.2 incorporates the proposals of ED 262 into an Amending Standard, for Board consideration. Agenda Paper 3.2 has not been presented as a ballot draft for Board vote, as the Board is being asked at this meeting whether they wish to finalise their proposals as exposed.

Australian Accounting Standards Board, PO Box 204, Collins Street West, Victoria 8007
Telephone: +61 3 9617 7600, E-mail: standard@aasb.gov.au, Web site: www.aasb.gov.au

Staff recommendation

In light of having received no adverse comment letters, staff are of the view that no changes to the proposals exposed in ED 262 are necessary. Accordingly, staff recommend finalising the Board's proposals exposed in ED 262 as an Amending Standard (see Agenda Paper 3.2).

Questions for Board members	
Q1	Do Board members agree with the staff recommendation to finalise the proposals exposed in ED 262 as an Amending Standard?
Q2	If Board members agree with the staff recommendation in Q1, does the Board want to vote in session on the draft Amending Standard presented as Agenda Paper 3.2? If not, staff will circulate a ballot draft for Board member vote out-of-session.

Appendix A: Extracts from ED 262 and AASB 13

ED 262 proposed inserting new paragraph Aus93.1 into AASB 13, as follows:

Aus93.1 Notwithstanding paragraph 93, in respect of not-for-profit public sector entities, for assets within the scope of AASB 116 *Property, Plant and Equipment* for which the future economic benefits are not primarily dependent on the asset's ability to generate net cash inflows, the following requirements do not apply:

(a) in paragraph 93(d), the text "For fair value measurements categorised within Level 3 of the fair value hierarchy, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (eg when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity.";

(b) paragraph 93(f); and

(c) paragraph 93(h)(i).

AASB 13.93 specifies the following (the shaded text shows the requirements subject to disclosure relief):

93 To meet the objectives in paragraph 91, an entity shall disclose, at a minimum, the following information for each class of assets and liabilities (see paragraph 94 for information on determining appropriate classes of assets and liabilities) measured at fair value (including measurements based on fair value within the scope of this Standard) in the statement of financial position after initial recognition:

(a) for recurring and non-recurring fair value measurements, the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement. Recurring fair value measurements of assets or liabilities are those that other Australian Accounting Standards require or permit in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of assets or liabilities are those that other Australian Accounting Standards require or permit in the statement of financial position in particular circumstances (eg when an entity measures an asset held for sale at fair value less costs to sell in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* because the asset's fair value less costs to sell is lower than its carrying amount).

(b) for recurring and non-recurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety (Level 1, 2 or 3).

(c) for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis, the amounts of any transfers between Level 1 and Level 2 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred (see paragraph 95). Transfers into each level shall be disclosed and discussed separately from transfers out of each level.

(d) for recurring and non-recurring fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement. If there has been a change in valuation technique (eg changing from a market approach to an income approach or the use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorised within Level 3 of the fair value hierarchy, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (eg when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity.

(e) for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:

(i) total gains or losses for the period recognised in profit or loss, and the line item(s) in profit or loss in which those gains or losses are recognised.

(ii) total gains or losses for the period recognised in other comprehensive income, and the line item(s) in other comprehensive income in which those gains or losses are recognised.

(iii) purchases, sales, issues and settlements (each of those types of changes disclosed separately).

(iv) the amounts of any transfers into or out of Level 3 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred (see paragraph 95). Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.

(f) for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the amount of the total gains or losses for the period in (e)(i) included in profit or loss that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period, and the line item(s) in profit or loss in which those unrealised gains or losses are recognised.

(g) for recurring and non-recurring fair value measurements categorised within Level 3 of the fair value hierarchy, a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in fair value measurements from period to period).

(h) for recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

(i) for all such measurements, a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement. To comply with that disclosure requirement, the narrative description of the sensitivity to changes in unobservable inputs shall include, at a minimum, the unobservable inputs disclosed when complying with (d).

(ii) for financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, an entity shall state that fact and disclose the effect of those changes. The entity shall disclose how the effect of a change to reflect a reasonably possible alternative assumption was calculated. For that purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.

(i) for recurring and non-recurring fair value measurements, if the highest and best use of a non-financial asset differs from its current use, an entity shall disclose that fact and why the non-financial asset is being used in a manner that differs from its highest and best use.