



<b>Project:</b>	<b>Income of Not-for-Profit Entities</b>	<b>Meeting</b>	AASB October 2015 (M148)
<b>Topic:</b>	<b>Cover memo</b>	<b>Agenda Item:</b>	13.0
<b>Contact(s):</b>	Mark Shying <a href="mailto:mshying@aasb.gov.au">mshying@aasb.gov.au</a> (03) 9617 7645	<b>Project Priority:</b>	High
		<b>Decision-Making:</b>	High
		<b>Project Status:</b>	Redeliberations

## Introduction and objective of the meeting

- 1 The objective of this meeting is to approve the draft Project Plan (refer to the Appendix to this memo) and obtain decisions from the Board in relation to the following issues for redeliberation:
  - (a) reasons why not-for-profit entities are excluded from the scope of AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*;
  - (b) scope of the final Standard AASB 10XX; and
  - (c) whether to clarify the meaning of ‘enforceable agreement’ and ‘sufficiently specific’.

## Link to project summary

[http://www.aasb.gov.au/admin/file/content102/c3/Income\\_of\\_Not\\_for\\_Profit\\_Entities\\_Project\\_Summary.pdf](http://www.aasb.gov.au/admin/file/content102/c3/Income_of_Not_for_Profit_Entities_Project_Summary.pdf)

## Attachments

Memo Appendix	Draft Project Plan
Agenda Paper 13.1	Staff Paper – Staff Summary of Comment Letters and Outreach
Agenda Paper 13.2	Staff Paper – Redeliberations – AASB 120, Scope, Enforceable Agreement and Sufficiently Specific

## Overview of agenda papers

- 2 Agenda Paper 13.1:
  - (a) provides the Board with a summary of the feedback received on the specific matters for comment 6 – 8 and 10 – 13; and

- (b) seeks a Board decision on the issues to be considered for deliberation at future meetings.

3 Agenda Paper 13.2:

- (a) includes a discussion of the reasons why not-for-profit entities are excluded from the scope of AASB 120;
- (b) proposes that the words used a clarification of the scope of the final Standard AASB 10XX; and
- (c) includes a discussion of the meaning of ‘enforceable agreement’ and ‘sufficiently specific’ and their clarification.

**Next steps**

- 4 Continue redeliberations to issue final Standard AASB 10XX and AASB 15 Implementation Guidance in Q4 2016. See Appendix: Project description and objective below. At the December Board meeting, it is expected that the Board will redeliberate the proposed:
  - (a) two-step analysis to determining a separately identifiable donation component in a contract with a customer;
  - (b) not-for-profit clarifications to the terminology “contract” and “customer”;
  - (c) treatment of inventory; and
  - (d) treatment of volunteer services.

## Appendix: Draft Project Plan

1. The draft Project Plan below details the proposed steps and timing for progressing the project on income of not-for-profit entities. The draft Project Plan outlines the areas that require Board redeliberation and further work based on feedback received from constituents on ED 260 *Income of Not-for-Profit Entities* during the comment period. Staff will continue to undertake targeted outreach during Board redeliberation.

### Draft summary of Project Plan in order of Board meeting dates

2. The table below summarises the main topic areas for Board consideration and deliberations in order of Board meeting dates.

Board meeting	Board actions	Project step(s) <sup>1</sup>
21 – 22 October 2015 <sup>2</sup>	Board to consider comments received from ED 260 on contributions by owners and issues related to contributions by owners, disclosure requirements regarding compliance by government departments with appropriations, and general matters for comment (Questions 6 – 8 and 10 – 13). Board to redeliberate the proposed tests of whether a performance obligation exists, being: (a) AASB 120 <i>Accounting for Government Grants and Disclosure of Government Assistance</i> ; (b) enforceable agreement; and (c) sufficiently specific.	1
2 – 3 December 2015	Board to redeliberate the proposed: (a) two-step analysis to determining a separately identifiable donation component in a contract with a customer; (b) not-for-profit clarifications to the terminology “contract” and “customer”; (c) treatment of inventory; and (d) treatment of volunteer services.	2 – 5
23 – 24 February 2016	Board to redeliberate the proposed: (a) treatment of contributions by owners and issues related to contributions by owners; (b) disclosure requirements regarding compliance by government departments with appropriations; and (c) GAAP/GFS implications.	6 – 8
19 – 20 April 2016	Board to redeliberate the proposed: (a) illustrative examples; (b) transitional provisions; and	9 – 10

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<sup>1</sup> The ‘project steps’ correspond to those contained in the ‘Detailed draft Project Plan and timetable’ in paragraph 3 below.

<sup>2</sup> The Board considered comments received from ED 260 (Questions 1 – 5 and 9) at the September meeting

	(c) application date.	
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Board meeting	Board actions	Project step(s)
21 – 22 June 2016	Board to consider any sweep issues.	11
30 – 31 August 2016	Board to review pre-ballot draft Standard.	12
September/October 2016 (out-of-session)	Board to vote on Ballot Standard.	12

### Draft detailed Project Plan and timetable

3. The table below details the major steps and timing for progressing the project.

	Project step	
<b>1</b>	<b>Proposed tests of whether a performance obligation exists – enforceable agreement and sufficiently specific</b>	<b>Estimated Timing</b>
1.1	Research what constitutes an enforceable agreement and a sufficiently specific promise in the context of not-for-profit entity arrangements with customers.	September/October 2015
1.2	Draft guidance for arrangements that do not meet either of the proposed tests of whether a performance obligation exists (i.e., an enforceable agreement and a sufficiently specific promise) to clarify the application for not-for-profit entities of: (a) AASB 15 <i>Revenue from Contracts with Customers</i> ; and (b) [draft] AASB 10XX.	September/October 2015
1.3	Develop example(s) to illustrate the tests of an enforceable agreement and a sufficiently specific promise.	September/October 2015
1.4	Present the findings, draft guidance and examples in 1.1 to 1.3 for Board deliberation at October 2015 meeting.	21 – 22 October 2015
1.5	Incorporate Board decisions in draft Standard, including explanation in Basis for Conclusions.	November 2015

<b>2</b>	<b>Two-step analysis to determining a separately identifiable donation component in a contract with a customer</b>	<b>Estimated Timing</b>
2.1	Research the application of determining a separately identifiable donation component in a contract with a customer.	October 2015
2.2	Draft guidance for determining a separately identifiable donation component in a contract with a customer.	November 2015
2.3	Present the findings and draft guidance in 2.1 to 2.2 for Board deliberation at December 2015 meeting.	2 – 3 December 2015
2.4	Incorporate Board decisions in draft Standard, including explanation in Basis for Conclusions.	December 2015

<b>3</b>	<b>Not-for-profit clarifications to the terminology “contract” and “customer”</b>	<b>Estimated Timing</b>
3.1	Research the terminology contract and customer in a not-for-profit context.	October 2015
3.2	Draft guidance relevant to applying the terminology contract and customer in a not-for-profit context.	November 2015
3.3	Present the findings and draft guidance in 3.1 to 3.2 for Board deliberation at December 2015 meeting.	2 – 3 December 2015
3.4	Incorporate Board decisions in draft Standard, including explanation in Basis for Conclusions.	December 2015

<b>4</b>	<b>Proposed treatment of inventory</b>	<b>Estimated Timing</b>
4.1	Research the proposed treatment of inventory.	October 2015
4.2	Draft guidance relevant to the treatment of inventory.	November 2015
4.3	Present the findings and draft guidance in 4.1 to 4.2 for Board deliberation at December 2015 meeting.	2 – 3 December 2015
4.4	Incorporate Board decisions in draft Standard, including explanation in Basis for Conclusions.	December 2015

<b>5</b>	<b>Proposed treatment of volunteer services</b>	<b>Estimated Timing</b>
5.1	Research the proposed treatment of volunteer services.	October 2015
5.2	Draft guidance relevant to the treatment of volunteer services.	November 2015
5.3	Present the findings and draft guidance in 5.1 to 5.2 for Board deliberation at December 2015 meeting.	2 – 3 December 2015
5.4	Incorporate Board decisions in draft Standard, including explanation in Basis for Conclusions.	December 2015

<b>6</b>	<b>Treatment of contributions by owners and issues related to contributions by owners</b>	<b>Estimated Timing</b>
6.1	Research the proposed treatment of contributions by owners and issues that are related.	November 2015
6.2	Draft guidance relevant to the treatment of contributions by owners and issues that are related.	December 2015
6.3	Present the findings and draft guidance in 6.1 to 6.2 for Board deliberation at February 2016 meeting.	23 – 24 February 2016
6.4	Incorporate Board decisions in draft Standard, including explanation in Basis for Conclusions.	February 2016

<b>7</b>	<b>Treatment of disclosure requirements regarding compliance by government departments with appropriations</b>	<b>Estimated Timing</b>
7.1	Research the proposed treatment of disclosure requirements regarding compliance by government departments with appropriations.	November 2015
7.2	Draft guidance relevant to the treatment of disclosure requirements regarding compliance by government departments with appropriations.	December 2015
7.3	Present the findings and draft guidance in 7.1 to 7.2 for Board deliberation at February 2016 meeting.	23 – 24 February 2016
7.4	Incorporate Board decisions in draft Standard, including explanation in Basis for Conclusions.	February 2016

<b>8</b>	<b>GAAP/GFS implications</b>	<b>Estimated Timing</b>
8.1	Research GAAP/GFS implications.	November 2015
8.2	Draft guidance relevant to GAAP/GFS implications.	December 2015
8.3	Present the findings and draft guidance in 8.1 to 8.2 for Board deliberation at February 2016 meeting.	23 – 24 February 2016
8.4	Incorporate Board decisions in draft Standard, including explanation in Basis for Conclusions.	February 2016

<b>9</b>	<b>Illustrative examples</b>	<b>Estimated Timing</b>
9.1	Research implications for the development of illustrative examples	January – February 2016
9.2	Draft relevant illustrative examples.	February – March 2016
9.3	Present the findings and illustrative examples in 9.1 to 9.2 for Board deliberation at April 2016 meeting.	19 – 20 April 2016
9.4	Incorporate Board decisions in draft Standard, including explanation in Basis for Conclusions.	May 2016

<b>10</b>	<b>Proposed application date and transitional provisions</b>	<b>Estimated Timing</b>
10.1	Seek the Board's decision at the April 2016 Board meeting on the following: (a) requested extension of the proposed application date of annual reporting periods beginning on 1 January 2017 to 1 January 2018; and (b) inclusion in the transitional provisions of an option to apply a similar approach to that adopted on first-time transition to Australian Accounting Standards (i.e., a deemed cost approach).	19 – 20 April 2016

<b>11</b>	<b>Sweep issues</b>	<b>Estimated Timing</b>
11.1	Consider any final issues from ‘sweep of issues’ for Board deliberation at June 2016 meeting.	May/June 2016
11.2	Incorporate Board decision in draft Standard, including explanation in Basis for Conclusions.	21 – 22 June 2016

<b>12</b>	<b>Finalise Australian Accounting Standard</b>	<b>Estimated Timing</b>
12.1	Finalise Pre-Ballot Draft Standard for Board Advisory Group review.	July 2016
12.2	Finalise Ballot Draft Standard for Board review.	30 – 31 August 2016 meeting
12.3	Finalise Ballot Standard for Board voting.	September/October 2016

**Question 1 for the Board**

Does the Board agree with the draft Project Plans in paragraphs 2 and 3?