



# Cover Memo

<b>Project:</b>	<b>Revenue from Contracts with Customers</b>	<b>Meeting</b>	AASB October 2015 (M148)
<b>Topic:</b>	<b>Deferral of Effective Date – AASB 15</b>	<b>Agenda Item:</b>	18.1
<b>Contact(s):</b>	Mark Shying <a href="mailto:mshying@asb.gov.au">mshying@asb.gov.au</a> (03) 9617 7645 Clark Anstis <a href="mailto:canstis@asb.gov.au">canstis@asb.gov.au</a> (03) 9617 7616	<b>Project Priority:</b>	High
		<b>Decision-Making:</b>	High
		<b>Project Status:</b>	Voting

## Introduction and objective of the meeting

- 1 The objective of this meeting is to obtain Board decisions on the ballot draft of an amending Standard to defer the mandatory effective date (application date) of AASB 15 *Revenue from Contracts with Customers* and its consequential amendments to other pronouncements.
- 2 The decisions of the Board include whether to vote on the amending Standard in the meeting or by out-of-session vote, or by out-of-session vote after receiving a revised ballot draft.

## Attachments

Agenda Paper 18.2 Ballot draft of amending Standard AASB 2015-X *Amendments to Australian Accounting Standards – Effective Date of AASB 15*.

## Background

### *Effective Date*

- 3 AASB 15 *Revenue from Contracts with Customers* was issued in December 2014. AASB 15 incorporates IFRS 15 *Revenue from Contracts with Customers* issued by the International Accounting Standards Board (IASB) and specifies an effective date of annual reporting periods beginning on or after 1 January 2017, with earlier application permitted.
- 4 In May 2015, the IASB published the Exposure Draft ED/2015/2 *Effective Date of IFRS 15* and the AASB published ED 263 *Effective Date of AASB 15 Revenue from Contracts with Customers*.
- 5 The IASB's decision to propose a deferral of the effective date of IFRS 15 by one year to 1 January 2018 was based on a number of factors, including that the IASB was

about to expose for comment its proposals to clarify IFRS 15. The IASB noted that the proposed clarifications to IFRS 15 may affect some entities that would wish to apply any clarifications at the same time as they first apply IFRS 15.

- 6 The AASB comment letter to the IASB supported the IASB proposals in ED/2015/2 to defer the application of IFRS 15 to annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. The AASB's support was based on comments from Australian constituents.
- 7 In September 2015, the IASB published the IFRS *Effective Date of IFRS 15*, which deferred the effective date of IFRS 15 to annual reporting periods beginning on or after 1 January 2018, with earlier application permitted.
- 8 To ensure that general purpose financial statements prepared by for-profit entities in accordance with AASB standards will also be in accordance with IFRSs, the AASB would need to replicate this amendment.

#### *New Principal Versions*

- 9 When AASB 15 was issued in December 2014 it replaced some Standards and Interpretations and made consequential amendments to other Standards and Interpretations (in AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*).
- 10 In July and August 2015, the AASB made new principal versions of most of its Standards and Interpretations that incorporate IFRSs, to make editorial changes. These new principal versions have a range of application dates, from annual periods beginning on or after 1 January 2016 to annual periods beginning on or after 1 January 2018. AASB 9 *Financial Instruments* (2014), AASB 14 *Regulatory Deferral Accounts* and AASB 15 were not reissued because, as recent Standards, they do not include historical editorial differences.
- 11 The new principal versions applying from 2017 or 2018 incorporate the amendments made by AASB 2014-5 as appropriate. However, the amendments in AASB 2014-5 to domestic Standards and Interpretations have not been included in new principal versions.
- 12 Given that amendments are necessary to AASB 15 to ensure that it replicates the deferred effective date for IFRS 15, the opportunity has been taken to relocate Aus application paragraphs in AASB 15 to follow the structure of the new principal versions of other Standards.

#### **Overview of Agenda Paper 18.2 – ballot draft of AASB 2015-X**

- 13 The [draft] amending Standard:
  - (a) amends the mandatory effective date of AASB 15, so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017;
  - (b) defers the consequential amendments that were originally set out in AASB 2014-5. This deferral is achieved in a variety of ways because some of

the Standards amended by AASB 2014-5 have been superseded by new principal versions issued in 2015 that apply to annual reporting periods beginning on or after 1 January 2017 or 2018; and

- (c) includes a small number of “reformatting amendments” to change the format of AASB 15 by deleting or moving the Aus-numbered ‘Application’ paragraphs in AASB 15 (paragraphs Aus4.1 to Aus4.7) to reflect the structure of the new principal versions.
- 14 IFRS 15 includes an Appendix (Appendix D) that sets out the consequential amendments to other Standards. The IFRS *Effective Date of IFRS 15* deferred those amendments by one year simply by deferring the effective date of IFRS 15.
- 15 However, the AASB is not able to defer the consequential amendments in the same way. The AASB issued AASB 2014-5 to give effect to the consequential amendments arising from AASB 15. Under the Australian legal framework, amendments are repealed automatically (with saving provisions) and cannot subsequently be deferred. Instead, the AASB needs to amend the Standards that incorporate the AASB 2014-5 consequential amendments. (This approach is required even if the consequential amendments are included in an appendix in an AASB principal Standard.)
- 16 Complicating this process is the recent issuing of new principal versions of some of the affected Standards. Principal versions applying from 1 January 2017 can be deferred simply to apply from 1 January 2018. (Those principal versions have already superseded the previous versions of those Standards, which incorporated the consequential amendments from 1 January 2017.) For Standards with principal versions applying from 1 January 2018, the principal versions do not need to be amended, but the consequential amendments need to be removed from the previous versions so that those amendments do not apply from 1 January 2017.

### **Staff recommendation**

- 17 The staff recommend that Board members approve the amending Standard, whether at the meeting or by out-of-session vote, subject to any issues raised by members at the meeting.

### **Questions for Board members**

- Q1 Do Board members have any amendments or issues with the ballot draft?
- Q2 If Board members do not have any amendments or issues with the ballot draft, do members wish to vote on the amending Standard at the meeting, or subsequently out-of-session?

### **Next steps**

- 18 If the amending Standard is approved by the Board at the meeting, staff will move to publish the Standard, or otherwise to revise the ballot draft as directed by the Board for subsequent out-of-session voting.