

AASB Agenda Consultation 2017–2019

Comments to the AASB by 4 March 2016



Australian Government

**Australian Accounting
Standards Board**

How to Comment on this AASB Invitation to Comment

The AASB is seeking comment by 4 March 2016.

Formal Submissions

Submissions should be lodged online via the “Work in Progress – Open for Comment” page of the AASB website (www.aasb.gov.au/comment) as a PDF document and, if possible, a Word document (for internal use only).

Other Feedback

Other feedback is welcomed and may be provided via the following methods:

E-mail: standard@aaasb.gov.au
Phone: (03) 9617 7600

All submissions on possible, proposed or existing financial reporting requirements, or on the standard-setting process, will be placed on the public record unless the Chair of the AASB agrees to submissions being treated as confidential. The latter will occur only if the public interest warrants such treatment.

COPYRIGHT

© Commonwealth of Australia 2015

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission. Requests and enquiries concerning reproduction and rights should be addressed to The Director of Finance and Administration, Australian Accounting Standards Board, PO Box 204, Collins Street West, Victoria 8007.

ISSN 1320-8713

AASB REQUEST FOR COMMENTS

Introduction

The purpose of this agenda consultation is to seek views from Australian constituents on the projects the Australian Accounting Standards Board (AASB) should be addressing that are primarily domestic in nature. The domestic work program of the AASB addresses financial reporting issues in relation to:

- (a) public sector entities;
- (b) not-for-profit entities; and
- (c) Australian specific issues relating to for-profit entities.

It is expected that the agenda consultation will result in the AASB considering a number of short-term projects, and a small number of long-term projects, to add to its current work program.

Period of consultation

This Invitation to Comment is seeking views on the AASB priorities for its work program for the period 2017–2019. The AASB decided to seek input on projects that could be commenced in the period 2017–2019 as the AASB work program is currently full, with five major domestic standard-setting projects due for completion in 2016. Similarly, the AASB research work program is at capacity for the same time period.

Separate IASB agenda consultation and review

This Invitation to Comment seeks input on the AASB domestic work program. AASB projects arising from the standard-setting activities of the IASB are being considered in Invitation to Comment ITC 33 *Request for Comment on IASB's Request for Views on 2015 Agenda Consultation*, which is open for comment to the AASB until 9 November 2015, and to the IASB until 31 December 2015.

Other activities of the IASB are being considered in the separate review of the IFRS Foundation's structure and effectiveness. The IFRS Trustees Request for Views *Trustees' Review of Structure and Effectiveness: Issues for the Review* is open for comment to the IFRS Trustees until 30 November 2015.

AASB Strategy

The AASB revised its strategy earlier in 2015. The AASB is currently focussed on the following five strategic directions:

1. use International Financial Reporting Standards (IFRS) and transaction-neutrality as a starting point, taking into account cost/benefit considerations and user needs;
2. take a leadership role in shaping the Australian Reporting Framework;

3. enhance international influence with respect to International Accounting Standards Board (IASB) and International Public Sector Accounting Standards Board (IPSASB) outcomes;
4. facilitate and encourage active stakeholder participation in developing Standards; and
5. to maintain relevance, investigate expanding the scope of activities to cover external reporting rather than just financial reporting.

In setting the AASB Strategy the AASB considered the strategies already developed, or in the process of being developed, of key national and international standard setters.

Although the AASB is not seeking comments on the AASB Strategy as part of this Invitation to Comment, the agenda consultation is being undertaken in the context of the AASB's strategic plan, with particular note being made of the Board's focus of taking a leadership role in shaping the Australian Reporting Framework (item 2 above) and broadening work beyond 'conventional' financial reporting (item 5 above).

As part of the Australian Reporting Framework strategic direction, the AASB is currently considering 'Tiers' of reporting in Australia. This includes consideration of the role, if any, that the *IFRS for SMEs* may have in any revised Australian Reporting Framework. In addition, a number of key current AASB projects, including the Post-implementation Review of IFRS and benchmarking Australian Accounting Standards to the requirements of the IPSASB are currently being undertaken to help inform the key strategic direction of transaction neutrality, using IFRS as a starting point.

Consistent with the AASB's approach to external reporting, the IFRS Trustees Request for Views *Trustees' Review of Structure and Effectiveness: Issues for the Review* is considering issues related to broadening its work and is proposing that the IASB plays an active role in developments in wider corporate reporting.

The AASB Strategy, including expected timing for key KPIs to achieve the strategic direction is available at: http://www.aasb.gov.au/admin/file/content102/c3/AASB_Strategy_2015-2019.pdf. The AASB's complementary Corporate Plan 2015–2016 is available at: http://www.aasb.gov.au/admin/file/content102/c3/AASB_Corporate_Plan_2015-2016.pdf.

AASB Work Program

The AASB work program is categorised into two key phases of activity:

- (a) research projects; and
- (b) standards-level projects.

Research projects

AASB research projects are aimed at:

- (a) determining whether particular topics should be included on the standard-setting work program and, if so, the nature and scope of those topics;
- (b) identifying recommendations for financial reporting policymakers to consider; and

(c) conducting post-implementation reviews.

All the key domestic projects currently on the research work program are expected to be well advanced by the end of 2016.

Next major project milestone	H2 2015	H1 2016	H2 2016
Conceptual Framework			
Not-for-profit entity conceptual framework (CF) issues	Consult with Australian constituents on the role the IPSASB Conceptual Framework might play in Australia	Consider any relevant CF modifications that might be sourced from IPSASB CF, particularly in context of NZ work	Make any relevant amendments to the CF to cater for needs of not-for-profit stakeholders
Australian Reporting Framework			
Assist regulators to determine entities that should prepare general purpose financial statements (incorporates the Reporting Entity project and post-implementation review of the Reduced Disclosure Regime (RDR)) This project is potentially wide-reaching and is intended to consider all types of entities, including for-profit entities, not-for-profit entities, private sector and public sector entities	Commence empirical research on corporate data on reporting criteria and thresholds, RDR take-up and implementation of 'public accountability'	Work with relevant policymakers and regulators to issue consultation papers to clarify and simplify the corporate reporting framework Seek comment on revised RDR principles Report findings of empirical research and liaison	Extend research to non-corporate reporting Lodge post-implementation review on RDR with Office of Best Practice Regulation
Information on entities within a group (includes considering information on parent entities and subsidiaries)		Formulate project scope with the benefit of input from users and other interested constituents	Report findings with a view to providing input to policymakers and regulators on reviewing reporting requirements (including on parent reporting in Corporations Act) and providing input to IASB
Other Domestic Research			
Carbon tax/ emissions trading scheme/ abatement scheme (Government perspective)	Update on status and/or recent developments	Essay on accounting implications of Australian scheme	

Next major project milestone	H2 2015	H1 2016	H2 2016
Post-implementation Reviews			
IFRS adoption in Australia (includes reviewing process for modifying IFRS for not-for-profit entities)	<p>Determine a framework for assessing the Australian experience of IFRS and gather information through outreach</p> <p>Conduct outreach on the impacts of, and views on, the existing not-for-profit modification process</p>	<p>Publish reports of key findings at various stages on IFRS experience</p> <p>Benchmarking Australian Accounting Standards against IPSASs</p> <p>Assess impact on not-for-profit accounting (possible changes to the existing not-for-profit modification process)</p>	Publish reports of final key findings on IFRS experience

The research projects particularly reflect the first two strategic directions in the AASB Strategy: IFRS and transaction neutrality, and leadership in shaping the Australian Reporting Framework. For example, the post-implementation review of IFRS adoption in Australia will consider the effectiveness of applying IFRS to not-for-profit entities, which directly addresses the starting point of neutrality in the AASB Strategy (item 1). Similarly, the Conceptual Framework project will consider potential modifications for not-for-profit entities as the Conceptual Framework is redeveloped in conjunction with the IASB's Conceptual Framework project. This reflects the AASB's approach in the existing Conceptual Framework, which recognises various not-for-profit aspects.

The Australian Reporting Framework project is an important, high-priority project for the AASB. There is considerable variation in the criteria and thresholds for public financial reporting and the reporting requirements set by different regulators in Australia, which makes it confusing for entities to determine their reporting requirements. This project aims to simplify the requirements by working with other policy-makers and regulators to clarify public reporting criteria and thresholds. For some entities, this could mean that public reporting would not be required; for others, special purpose financial statements might no longer be permitted to meet lodgement requirements. The project is also intended to consider the possibility of Tier 3 requirements for smaller entities, particularly in the not-for-profit sector. Consultation with stakeholders through proposal documents and workshops, for example, will be essential to this project.

External reporting projects

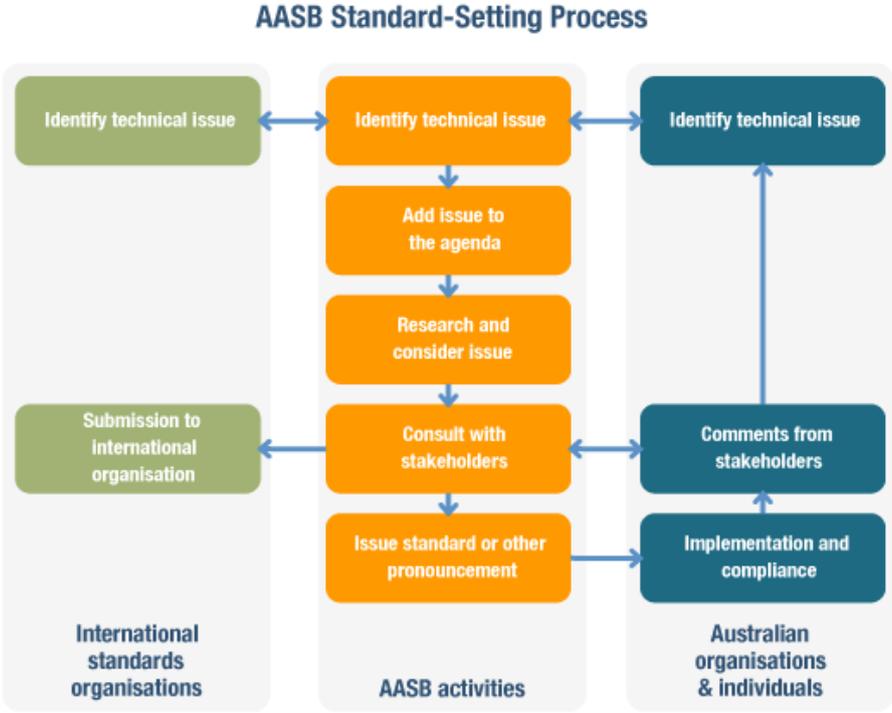
The research work program also involves potentially ongoing work to investigate the scope of projects relating to external reporting that the AASB should address. The AASB is developing a policy on identifying relevant project opportunities outside 'conventional' financial reporting.

Some of the areas where the AASB has received feedback that users are not obtaining adequate information for decision making, or where significant improvement could be made, are remuneration reporting, initial public offerings (prospective information), and tax disclosures. These disclosure areas involve non-IFRS information that is significantly related to IFRS-specified financial reporting information. Such projects would need to be carried out in conjunction with other policymakers. The AASB is interested in stakeholder views as to whether, and if so, how, the AASB could most effectively contribute to such projects.

For example, a project on remuneration reporting, working with policymakers and regulators, could aim to improve the usefulness and consistency of the remuneration disclosures across entities by clarifying the principles of measurement best suited to user needs and simplifying the disclosures. A prospective information project, working with ASIC, could standardise requirements for financial information required in initial public offering documents, including references to the qualitative characteristics in determining the assumptions and bases for prospective information. A tax disclosures project, working with the ATO, might develop specific disclosures within, or external to, financial statements to assist entities in their voluntary tax disclosures where foreign tax regimes are involved.

Standards-level projects

AASB standards-level projects are projects that are expected to develop a new Standard or amend an existing Standard. A high-level overview of the AASB Standard-setting process is outlined below,¹ and a detailed overview is provided in the Appendix:



¹ <http://www.aasb.gov.au/About-the-AASB/The-standard-setting-process.aspx>

Current AASB domestic Standard-setting work program

The current AASB domestic Standard-setting work program is outlined below. Domestic AASB projects are split into three categories:

- (a) domestic not-for-profit sector projects;
- (b) IPSASB convergence projects; and
- (c) other domestic projects.

All domestic projects on the current standard-setting work program are expected to be finalised during 2016.

In relation to IPSASB convergence projects, a listing of current IPSASB projects (as at August 2015) is provided in an Appendix to this Invitation to Comment. In considering responses to this Invitation to Comment, constituents may wish to comment on whether the AASB should consider adding any of these projects to its work program.

Next major project milestone	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Notes
Domestic not-for-profit (NFP) sector projects					
Depreciated replacement cost as a measure of value in use		Standard			ED 269 open for comment until 16 November
Income of not-for-profit entities	Redeliberations			Standard	ED 260 closed Standard targeted H2 2016
IPSASB convergence project²					
Service concession arrangements: grantor	Redeliberations			Standard	ED 261 closed Standard targeted H2 2016
Other domestic projects					
Reporting service performance information	Round table				ED 270 open for comment until 12 February Standard targeted H2 2016

² The current IPSASB work plan is available here: <http://www.ifac.org/system/files/uploads/IPSASB/IPSASB-Project-Timetable-August-2015.pdf> (accessed 4 November 2015) and is also included as an Appendix to this Invitation to Comment.

Next major project milestone	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Notes
Revision of Reduced Disclosure Requirements		ED			Standard timing TBD

Prioritising projects

In prioritising individual projects on its work plan and allocating resources to them, the AASB considers various factors, including:

- (a) the importance of the issue to those who use financial reports, including the range and extent of those to whom the issue might apply, and whether it impacts for-profit and not-for-profit entities;
- (b) interactions with other current or possible projects;
- (c) the complexity and breadth of the problem to be resolved, and the feasibility of possible solutions being developed;
- (d) the capacity of stakeholders to respond to proposals, both as individual proposals and across the work program as a whole;
- (e) the overall balance of the work plan and the overall balance in the pipeline of research projects that may ultimately come forward to the standards-level work program, including a balance of not-for-profit, public sector and other projects; and
- (f) the availability of sufficient staff resources.

Questions on the AASB Work Program 2017–2019

1. What topics, including external reporting topics, do you think should be added to the AASB work program (research and standard-setting)? Please outline the reasons why you think the project(s) should be addressed by the AASB.
2. What priority should be ascribed to the project(s)? Please outline the reasons why you think the project(s) should be prioritised in this manner by the AASB.
3. Are there any topics on the current AASB work program that you think should be removed from the work program? Please outline the reasons why you think the project(s) should be removed.

APPENDIX

Developing Australian Accounting Standards

In developing Accounting Standards and Interpretations the AASB will, in respect of:

- (a) for-profit entities – adopt the Framework, Standards and Interpretations as issued by the IASB;
- (b) not-for-profit entities – adopt the Framework, Standards and Interpretations as issued by the IASB;
- (c) domestic topics that impact on for-profit entities and that are outside the IASB’s mandate – seek high-quality financial reporting outcomes, having regard to consistency with the requirements of IFRS; and
- (d) domestic topics that impact on not-for-profit entities and that are not addressed in IFRS – seek high-quality financial reporting outcomes consistent with its transaction neutrality policy.

Transaction neutrality

The AASB makes accounting standards with a view to requiring like transactions and events to be accounted for in a like manner by all types of entities. This is referred to as ‘transaction neutrality’. The AASB acknowledges that different business models are used by different types of entity. However, the AASB considers that the fundamental nature of the elements of financial statements (assets, liabilities, income and expenses) and their qualitative characteristics are generally unaffected by different business models. Accordingly, the AASB considers that the promulgation of transaction-neutral Standards to the extent feasible is:

- (a) consistent with the concepts underlying accounting;
- (b) meets the needs of users; and
- (c) brings an additional benefit of effectively and efficiently developing what is largely one central body of requirements.

In implementing this transaction-neutral policy the AASB:

- (a) on the basis of the need for Tier 1 for-profit entities to remain IFRS compliant in the best interests of the Australian economy, accepts that an IFRS should only be modified to the extent that the IFRS is not relevant or appropriate in a not-for-profit context; and
- (b) considers the factors in the *Process for Modifying IFRSs for PBE/NFP* in determining whether to modify an IFRS for not-for profit entities.

When it has been determined that a different disclosure, presentation, recognition or measurement requirement or different guidance is likely to be appropriate for not-for-profit entities, the AASB will determine what that different treatment should be. The AASB firstly has regard to the Conceptual Framework. The AASB also considers other authoritative material that is relevant to the issue under consideration such as:

- (a) any modification to IFRS or a public sector specific standard issued by the IPSASB;
- (b) the IPSASB *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*;
- (c) whether or not the New Zealand Accounting Standards Board has modified, or was considering modifying, IFRS in relation to the issue;
- (d) a pronouncement issued by any other national standard setter using a similar conceptual framework; and
- (e) the Government Finance Statistics Manual.

International Public Sector Accounting Standards

The AASB contributes to the technical agenda and processes of the IPSASB in order to foster the development of IPSASs on the basis that IPSASs are expected, in due course, to become the most relevant and appropriate Standards for public sector not-for-profit entities. The AASB is pursuing this aspiration on the grounds that the IPSASB will:

- (a) continue to base IPSAS on IFRS, departing from IFRS only to the extent appropriate for public sector issues; and
- (b) develop high-quality Standards on topics affecting the public sector that are not dealt with by the IASB.

The current IPSASB work plan includes the following topics:

- Public Sector Combinations
- The Applicability of IPSASs to Public Sector Entities
- Public Sector Specific Financial Instruments
- Update to IPSASs 28–30, Financial Instruments
- Emissions Trading Schemes
- Social Benefits
- Review of Cash Basis IPSAS
- Amendments to IPSAS 25, Employee Benefits
- Governance & Consultative Advisory Group
- Revenue
- Non-Exchange Expenses
- Improvements

- Heritage Assets
- Public Sector Measurement
- Infrastructure Assets
- IPSAS 21 & 26: Scope Exclusion of Assets on Revaluation Model.

The full IPSASB work plan is available here:

<http://www.ifac.org/system/files/uploads/IPSASB/IPSASB-Project-Timetable-August-2015.pdf> (accessed 4 November 2015).