

Hello AASB

Please find attached the Australian Bureau of Statistics submission to ITC 46. These were prepared by Standards and Statistical Infrastructure Section and the Finance and Wealth Branch of ABS, and we have consulted with internal stakeholders about the AASBs ITC 46 Agenda Consultation for 2022-26.

Please note: ABS Suggested Projects from a public sector perspective as identified by our Finance and Wealth Branch are included in the ABS Suggested Projects section of the document. Finance and Wealth Branch have also contributed to the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) public sector's ITC 46 submission which will be separately submitted to AASB.

In the tables below, we have noted which of AASBs inactive, potential and research projects are of interest or importance to the ABS and the reasons why. We have also made some suggestions about other research projects the ABS believes should be added to AASBs forward work program.

Our comments and suggestions have incorporated your questions, such as

Inactive projects

- Are there any inactive projects you think should be retained in the AASB 2022–2026 work program?

Potential projects

- Do you agree that the AASB should add any of the proposed external reporting projects to the work program? Include any feedback as to the scope of the proposed external reporting projects.
- Are there any other projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB's capacity for additional projects.
- What priority would you give to each of the potential projects – high, medium or low?

Research projects

- Do you agree that the AASB should add any of the proposed research projects to the work program?
- Are there any other research projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB's capacity for additional projects.
- What priority would you give to each of the potential projects – high, medium or low? Other comments

Other comments

- Do you have other comments on the AASB's activities and work program.

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Comments on Inactive Projects	ABS Comments
For Profit Sector projects	
<ul style="list-style-type: none"> • Remuneration reporting 	<p>Low Priority Project for ABS.</p> <p>ABS has no stake or interest in retaining this project in the AASB 2022-26 work program as this project should have minimal impact on the ABS Statistical Program.</p> <p>Employee Earnings and Hours (EEH) collect information on Senior Executive Remuneration under ANZSCO 1111 (Chief Executives and Managing directors) through surveys and potentially administrative data, but less likely to use information reported through financial statements and annual reports.</p> <p>There may be impacts on data confrontation of compensation of employees estimates in the National Accounts from any change to the proposed associated disclosure on executive remuneration, but this would only provide a partial indicator for data confrontation at best.</p>
<ul style="list-style-type: none"> • Crowd-sourced equity funding (CSEF) 	<p>Low Priority Project for ABS.</p> <p>This project should have minimal impact on the ABS Statistical Program as SSI is not aware of any known statistical surveys that would collect or publish information on how an entity gets funding. As this project focuses on changes to regulatory framework and reporting of CSEF, especially to support small business in fund raising opportunities, it should have little consequence to ABS statistical operations as small business are unlikely to be widely surveyed in our economic survey collections.</p>
Not For Profit Sector Projects	
<ul style="list-style-type: none"> • Definition of Fundraising 	<p>Medium Priority Project for ABS</p> <p>ABS recommend retaining this project in the AASB 2022-26 work program.</p> <p>Having a standardised definition of fundraising across all Australian jurisdictions would be supported by ABS, as it would improve the current transfer estimates and support future Non-Profit Institutions (NPI) satellite account.</p> <p>Equally important is that this and other forms of donations are identified in financial statements. and are well-distinguished from payments for services.</p>
Other Projects	
<ul style="list-style-type: none"> • Cooperatives and mutual entities (CMEs) 	<p>Low Priority Project for ABS.</p> <p>ABS has no stake or interest in retaining this project in the AASB 2022-26 work program</p> <p>This project looks more into providing additional guidance to Cooperatives and Mutual Entities in how they should be reporting and disclosing information in their financial statements and how they report on their activities to achieve their objectives. The project is also aimed to improve understanding of the financial statements of CMEs.</p> <p>There should be limited impact on any data received by the ABS due to the guidance note issued by AASB and therefore is not a priority item for the ABS.</p>

Comments on Potential Projects	ABS Comments
Sustainability reporting	<p data-bbox="734 145 2145 209">High Priority Project for ABS Ties in with SNA 2008 discussions at the International Statistical fora and Australian Climate Service.</p> <p data-bbox="734 252 2145 355">As part of the System of National Accounts 2008 (SNA 2008) review process, the Inter-Secretariat Working Group on National Accounts (ISWGNA) of UN Statistical Commission has identified the theme of "well-being and sustainability" and added it to the SNA Research Agenda. The revised SNA is expected to be published in 2025.</p> <p data-bbox="734 395 2145 499">The research agenda emphasises the need to develop a guidance note in providing clearer links between broader issues of well-being and sustainability and develop an overarching accounting framework, in which statistics on economic, societal, and environmental issues are integrated (not necessarily monetised).</p> <p data-bbox="734 539 2145 611">For details on SNA research agenda on "Well-being and Sustainability" please refer to the following document Detailed RA Issues.pdf (un.org)</p> <p data-bbox="734 635 2145 946">Discussion on Climate change is currently very topical both nationally and internationally and the policy needs around the topic is significant. ABS is also working collaboratively with the Australian Climate Service on a project to deliver improved understanding of socio-economic exposure, impact and vulnerability to natural hazards and climate risks. Survey areas in ABS that are involved in collating Environmental-economic accounts have noted this as a high priority project. There are currently a range of international efforts to harmonise standards in this space, and the accounting standards through the International Sustainability Standards Board is a positive development to harmonise business reporting requirements with ABS's statistical needs. The International Public Sector Accounting Standards Board (IPSASB) is consulting on the inclusion of natural capital assets on government's balance sheet so hopefully these initiatives are linked.</p> <p data-bbox="734 986 2145 1090">Given the existing and growing demand for useful and robust disclosures relating to Climate related statistics, the AASB project on sustainability reporting has the potential to address any data gaps associated with ABS's Environmental Account Statistics and measuring the impact of climate change.</p> <p data-bbox="734 1129 2145 1193">The key issue for national accounts which has a strong relevance to sustainability reporting would be the treatment of depletion of natural resources and whether this should become a production cost.</p>

Service Performance Reporting	<p>Low Priority Project for ABS</p> <p>This project will affect both private and public sector NFP. As the ABS survey program does not currently capture how entities are performing in meeting their expectations, this project would not be of interest to ABS. However, we recognise that any service performance information reported, especially quantitative information, on output/volumes produced by the entity including inputs used to produce those outputs to some extent may be useful for data confrontation purpose for Not-For-Profit sector.</p>
Digital Financial Reporting	<p>Medium Priority Project for ABS</p> <p>As the remit of this project is to standardise the use of digital financial reporting, the general impact on current ABS survey data collection would be minimal.</p> <p>However, ABS has a general interest in the project as, to reduce provider burden, the ABS is investigating different data sources such as use of administrative data from accounting software. Digital Financial reporting requirements may lead to modifications of existing accounting software as used by a business to generate financial statements. Therefore, this project may have some impact on administrative data usage.</p>

Comments on Research Projects	ABS Comments
Potential accounting standards research projects	
<ul style="list-style-type: none"> Encouraged disclosures 	<p>Low Priority Project for ABS</p> <p>Project aims to look at encouraged information disclosures on financial statements. Although disclosure will not alter or affect how data is received by the ABS or have an impact our data collection, additional disclosure in financial statements are useful sources for data confrontation in macro-economic statistics.</p>
<ul style="list-style-type: none"> AASB 112 Income Taxes and tax transparency disclosures 	<p>Low Priority Project for ABS</p> <p>Project looks at the usefulness of tax disclosure statements as required under AASB 112. Although this project will not affect the data received by the ABS or the compilation of statistical information, any tax disclosure will be beneficial in confronting tax estimates collected by our economic survey collections.</p>
<ul style="list-style-type: none"> Intangible Assets: recognition and measurement 	<p>High Priority Project for ABS</p> <p>This is a priority project for ABS as there are measurement challenges associated with intangible assets such as need for timely data source for valuing intellectual property products. There is currently no requirement to break down intangible assets into lower-level categories in financial statements making comparison across entities very difficult. Having publicly available disclosure on intangibles along with various assumptions and measurement methods for intangible assets in business accounting would assist in accurately reflecting their impact on Australian economy.</p> <p>When completing the AASB intangible asset survey, ABS also noted the asymmetry issue in the treatment of intangible assets between AASB and the System of National Accounts (SNA). The internally generated intangible asset rules of AASB 138 relating to research and development results in a majority of this investment being captured as an expense whereas in the ABS, it is captured as capital expenditure.</p> <p>The scope of intangible assets is also under review as part of the SNA 2008 review to include data in the production and asset boundaries.</p> <p>A key gap is capturing estimates related to databases. The exhaustiveness of software and databases (as financial reporting requirements) are much more conservative than the System of National Accounts 2008 (SNA) and the likely recognition of data in the future. Another issue is the line between non-produced intangible assets (e.g., goodwill, trademarks, permits and licences, etc) and produced intangible assets (e.g., intellectual property products, computer software, artistic originals, Research and Development) which flow into different components of national accounts estimate. For example, transactions related to only produced intangible assets are in scope of Gross Fixed Capital Formation (GFCF).</p> <p>As a result, ABS wish to be involved in standard setting projects associated with Intangible assets.</p>
Potential External reporting research.	

<ul style="list-style-type: none"> • Sustainability reporting 	<p>High Priority Project for ABS</p> <p>As this project would support the proposed potential standard-setting project related to sustainable reporting as discussed earlier in this ITC.</p> <p>This project is a high priority for ABS. As discussed earlier, "well-being and sustainability" is identified as a priority on SNAs research agenda as part of 2008 SNA review. Please refer to the section on potential projects for more information/details for considering this project as a high-priority project for ABS.</p>
<ul style="list-style-type: none"> • Service performance reporting 	<p>Low Priority Project for ABS</p> <p>This potential project would build off work already done by the AASB, namely the AASB Research Report 14: Literature review Research Paper No. 14 (aasb.gov.au)</p> <p>As this project would feed into any subsequent AASB standard setting projects, "Service Performance Reporting" as discussed earlier in this ITC, it is a low priority project for ABS.</p>
<p>Potential emerging technology and reporting research projects</p>	
<ul style="list-style-type: none"> • Digital financial reporting 	<p>Medium Priority Project for ABS</p> <p>This research project would be done in conjunction with the proposed Digital Financial Reporting project. This research would investigate a literature review along with other research activities to support any proposed standard setting around digital financial reporting.</p> <p>As previously noted, the ABS is investigating the wider use of administrative data from Accounting Software to reduce provider burden. Digital Financial reporting requirements may lead to modifications of existing accounting software as used by a business to generate financial statements. Therefore, this project may have some impact on administrative data usage and is of interest to the ABS.</p>
<p>Potential research projects about enhancing standard-setting process</p>	
<ul style="list-style-type: none"> • Costs and benefits analysis 	<p>Low Priority Project for ABS</p> <p>This research would undertake a literature review on how best to develop models for undertaking cost and benefit analysis work that are relevant to different sectors that are affected by accounting standards work.</p> <p>As this research will have no impact on ABS data or data collection activities it is not a priority for ABS.</p>

ABS Suggested Projects	ABS Comments
<p>AASB's guidance on how free digital services (such as social media), digital data and crypto assets can be recognised, measured, and disclosed in business accounting.</p> <p>(High Priority Project for ABS)</p>	<p>As part of the review of the System of National Accounts 2008 (SNA 2008), the Inter-Secretariat Working Group on National Accounts (ISWGNA) is currently circulating various guidance notes related to the SNA research agenda. Digitisation is a broad theme of the SNA research agenda, and the measurement of the digital economy through compilation of digital supply use table is a statistical priority for ABS.</p> <p>The digital economy has spawned free digital products which may be produced by volunteers, by consumers themselves or by platforms which are funded by advertising revenue. In recent years, there has been an explosion in the generation of data, and the use of data, notably in advertising-based business models. This created the need for guidance on whether data should be part of the asset boundary, whether it should be considered as produced or non-produced assets and how data should be valued.</p> <p>In terms of the topic “free digital services and digital data”, it would be useful to</p> <ol style="list-style-type: none"> 1. measure the production/consumption of free digital services, and 2. to recognise data as an asset and measure data base. <p>Any disclosures on market valuations of data holdings, transactions in data/databases, or classification in the accounting standards of in-house work on own-account software and own-account software/databases would be useful to National Accounts.</p> <p>With the rapid development in issuance and use of crypto assets for transactions, there is also a need to develop guidance on the treatment of crypto assets and of compilation techniques, including data sources. Further research is needed on the recording of crypto assets with particular emphasis on their use as medium of exchange or store of value. The current guidance that has been developed for crypto assets is considered as interim (i.e., they are treated as a financial asset), pending future development of crypto assets (e.g., regulatory measures). Identifying the value of transactions associated with Crypto currencies and holding gains/losses associated with them would be very useful to ABS.</p> <p>For details on SNA research agenda on digital assets, issues on data and treatment of digital assets, please see the attached file and following document links.</p> <p>Detailed RA Issues.pdf (un.org) M14 5 3 1 Recording of Data in SNA.pdf (un.org) SNA/M1.20/5.3.2 - Treatment of free digital assets and services (un.org) M15 7 4 Recording Data Pres.pdf (un.org) SNA/M1.21/7.4 -The Recording of Data (un.org)</p>

<p>Disclosures in Financial statements related to measuring globalisation (Low Priority Project for ABS)</p>	<p>As part of the review of the System of National Accounts 2008 (SNA 2008), the Inter-Secretariat Working Group on National Accounts (ISWGNA) is currently circulating various guidance notes related to the SNA research agenda. Globalisation is one of the broad themes of this SNA research agenda.</p> <p>Some of the issues related to global production include:</p> <ul style="list-style-type: none"> • recording of international flows of intra-company services of multinationals • transactions related to outsourcing activities • identification and measurement of non-financial and financial assets and liabilities for the global operation activities of Multi-National Enterprises (MNEs). <p>Some data items that would be useful to ABS are royalties transactions with affiliates by country, transfers of Intellectual Property (IP) on the balance sheet by country, interest paid and received with affiliates by country.</p> <p>Any related disclosures in these areas would benefit macro-economic statistics.</p> <p>Please see the link below for details of the issues under the globalisation theme. Detailed RA Issues.pdf (un.org)</p>
<p>Reporting of provision expenses (High Priority Project for ABS)</p>	<p>ABS is unsure about the current extent of detail required in financial statements for provisions for customer remediation, legal settlements which seems to have increased in incidence recently. The important issue for National Accounts is ensuring that Compensation of Employee estimate (COE) and intermediate consumption are correctly estimated. Compensation of employees comprises wages and salaries (in cash and in kind) and employers' social contributions. Intermediate consumption or intermediate use consists of the value of the goods and services consumed as inputs to the production process.</p> <p>Provisions are often lumped in expenses in our annual economic activity survey and in recent years have been key drivers to intermediate consumption for some industries. Provisions such as legal settlement on pay affects COE estimates, in the sense that any unpaid wages of salaries which workers are legally entitled to but have not been paid should be in scope of COE estimate. However, as these legal settlement on pay have not been paid to employees, these are not currently reported as COE estimate by businesses in our economic survey.</p> <p>Also to note that payment of legal settlements (apart from any legal services, which are considered as Intermediate use of a business) are treated as current transfers in the income account and thus flowing into different components of national account estimates. Sometime values associated with these payments are also very large.</p> <p>Furthermore, timing recognition of many provision expenses such as payment of legal settlements is not in line with the economic event, leading to a range of adjustments being required in economic statistics to our accounting source data. As a result, reporting of provision of expenses will be useful to ABS.</p>

Discount rates (High Priority Project for ABS)	This suggested project has been raised by the Government Finance Statistics work program at the ABS. Currently there are a range of different discount rates being used to value certain liabilities. This leads to inconsistent measurement and in some instances, volatility in measurement between reporting periods. Provision of guidance as to which discount rate to use to value superannuation liabilities and long-term employee benefit liabilities would enable a more harmonised approach across jurisdictions and less volatility in data series. This would also increase the international comparability of Australia’s reported liabilities against these categories.
Harmonisation differences between accounting standards and Government Finance Statistics (GFS) (High Priority Project for ABS)	This suggested project has been raised by the Government Finance Statistics work program at the ABS. The ABS strongly advocates for the maximum achievable harmonisation between Generally Accepted Accounting Principles (GAAP) and GFS principles, which is supported by AASB 1049. Harmonisation differences have increased in recent years due to standard changes which in turn leads to further burden on data providers and data compilers. It would be beneficial to address these harmonisation differences in a strategic way moving forward, to increase the comparability and interpretability of different data sources that report on public sector finances in Australia.

Contact Details for ABS

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