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| Project: | n/a | Meeting | February 2021 (M179) |
| Topic: | Documents open for comment by other organisations | Agenda Item: | 12.0 |
| | | Date of the Agenda Paper: | 10 February 2021 |
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| | | Decision-Making: | Low |
| | | Project Status: | n/a |

Objective of this paper

- The objective of this paper is to:
 - inform** the Board about consultative documents already issued or to be issued by other international standard-setting bodies; and
 - ask the Board to **decide** which consultative documents to provide feedback/comments on.

Reasons for bringing this paper to the Board

- The Board's strategy is to influence the work of the International Accounting Standards Board (IASB), International Public Sector Accounting Standards Board (IPSASB) and other relevant international organisations with a goal of having the principles in the Standards issued by these organisations aligned, where relevant and possible.
- Historically, the Board has decided which consultation documents to comment on based on factors such as the relevance and importance of the consultation to the AASB's projects and strategies, the potential impact of the proposals on Australian constituents and the priority of projects as decided by the Board. This agenda paper will assist the Board in prioritising and deciding which consultation documents it should comment on.

Current IASB documents open for comment – decision needed from the Board as to whether to comment or to take other action

| Originating organisation | Document | Date of release | AOSSG input | Comments due | Staff recommendation for AASB approach |
|--------------------------|--|-----------------|-------------|---|---|
| IASB | Exposure Draft: Regulatory Assets and Regulatory Liabilities | January 2021 | N/A | To IASB – 30 June 2021 To AASB - 10 May 2021 | This Exposure Draft proposes a new accounting model that would require companies subject to rate regulation to give investors better information about their financial performance. If finalised, the proposals would replace AASB 14 <i>Regulatory Deferral Accounts</i> . Staff recommend performing targeted outreach and that the Board comment to the IASB subject to feedback received from targeted outreach activities and submissions from stakeholders. |

Forthcoming IASB documents for comment expected in H1 2021 – decision needed from the Board as to whether to comment or to take other action

(Refer to [AASB work program](#) for the forthcoming documents in H2 2021 under Agenda item 1(d))

| Originating organisation | Document | Expected Date of release | AOSSG input | Expected Comments due | Staff recommendation for AASB approach |
|--------------------------|--|--------------------------|-------------|-----------------------|---|
| IASB | Exposure Draft: Disclosure Initiative—Targeted Standards-level Review of Disclosures | March 2021 | N/A | 180 days | The IASB added this project in response to feedback on the <i>Disclosure Initiative—Principles of Disclosure Discussion Paper</i> . The IASB has developed guidance for the Board itself to use when developing and drafting disclosure objectives and requirements in future; and tested the guidance for the Board by applying it to the disclosure sections of IAS 19 <i>Employee Benefits</i> and IFRS 13 <i>Fair Value Measurement</i> . Staff recommend that the Board comment on the ED subject to the submissions received from the stakeholders and carry out targeted outreach activities subject to availability of resources. |
| IASB | Exposure Draft: Lack of Exchangeability (Amendments to IAS 21) | March 2021 | N/A | 120 days | Staff recommend that the Board comment on the ED subject to the submissions received from the stakeholders. |

| Originating organisation | Document | Expected Date of release | AOSSG input | Expected Comments due | Staff recommendation for AASB approach |
|--------------------------|--|--------------------------|-------------|-----------------------|---|
| IASB | Exposure Draft: Revised Practice Statement on Management Commentary | April 2021 | N/A | TBD | In line with the project plan approved by the Board at September 2019 meeting, staff recommend that the Board comment on the ED subject to the submissions received from the stakeholders. |

IFRS Interpretation Committee's Tentative Agenda Decisions currently open for comment – decision needed from the Board as to whether to comment or to take other action

| Originating organisation | Document | Date of release | AOSSG input | Comments due | Staff recommendation for AASB approach |
|--|--|-----------------|-------------|--------------------------|--|
| IFRS Interpretations Committee (IFRS IC) | Classification of Debt with Covenants as Current or Non-current (IAS 1 Presentation of Financial Statements) | December 2020 | N/A | To IFRS IC – 15 February | <p>After considering the IFRS IC's analysis of the request and performing limited outreach, it was staff's view that the Board did not need to comment. However, note staff's recommendation in Agenda Paper 13.0 to raise concerns about unintended consequences of the amendments to IAS 1 with IASB staff.</p> <p>In staff's view the Tentative Agenda Decision (TAD) conclusions appear to be supported by the wording in revised paragraph 72A of IAS 1 <i>Presentation of Financial Statements</i>.</p> <p>The IFRS IC request related to different interpretations arising from the application of recent amendments to IAS 1 related to the classification of liabilities. In particular, how an entity determines whether it has "the right to defer settlement" when a long-term liability is subject to a condition and the borrower's compliance with the condition is tested at dates after the reporting date.</p> |

| Originating organisation | Document | Date of release | AOSSG input | Comments due | Staff recommendation for AASB approach |
|--|--|-----------------|-------------|--------------------------|--|
| | | | | | <p>The IFRS IC concluded that the principles and requirements in IFRS Standards provide an adequate basis for the entity to determine how to classify the loan as current or non-current in the three fact patterns described in the tentative agenda decision. Consequently, the IFRS IC tentatively decided not to add a standard-setting project to the work plan.</p> |
| IFRS Interpretations Committee (IFRS IC) | Attributing Benefit to Periods of Service (IAS 19 Employee Benefits) | December 2020 | N/A | To IFRS IC – 15 February | <p>After considering the IFRS IC’s analysis of the request, it was staffs view that the Board did not need to comment. Staff also note that no local feedback was received from stakeholders on the TAD.</p> <p>Staff consider that the TAD, particularly with the illustrative example, provides useful guidance on the application of current Standards.</p> <p>The request relates to the periods of service to which an entity attributes benefit for a particular defined benefit plan. Under the terms of the plan:</p> <ul style="list-style-type: none"> • employees are entitled to a lump sum benefit payment when they reach a particular retirement age provided they are employed by the entity when they reach that retirement age; and • the amount of the retirement benefit to which an employee is entitled depends on the length of employee service before the retirement age and is capped at a specified number of consecutive years of service. <p>The IFRS IC concluded that the principles and requirements in IFRS Standards provide an adequate basis for an entity to determine the periods to which retirement benefit is</p> |

| Originating organisation | Document | Date of release | AOSSG input | Comments due | Staff recommendation for AASB approach |
|--|--|-----------------|-------------|--------------------------|--|
| | | | | | attributed in the fact pattern described in the request. Consequently, the IFRS IC tentatively decided not to add a standard-setting project to the work plan. |
| IFRS Interpretations Committee (IFRS IC) | Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets) | December 2020 | N/A | To IFRS IC – 15 February | <p>After considering the IFRS IC’s analysis of the request, it was staffs view that the Board did not need to comment. Staff also note that no local feedback was received from stakeholders on the TAD.</p> <p>Staff consider that the TAD provides useful guidance on the application of current Standards.</p> <p>The request related to a customer's accounting for costs of configuring or customising the supplier's application in a ‘Software as a Service’ (SaaS) arrangement. In the fact pattern described, the contract conveys to the customer the right to receive access to the software in the future, which is considered a service contract. The customer incurs upfront costs of configuring and customising the suppliers' application software to which it receives access. The request asked how the customer should recognise such costs.</p> <p>The IFRS IC made a tentative agenda decision not to add this matter to its standard-setting agenda because the principles and requirements in IFRS Standards provide an adequate basis to determine how to account for the costs incurred.</p> |
| IFRS Interpretations Committee | Hedging Variability in Cash Flows due to Real Interest Rates (IFRS 9) | December 2020 | N/A | To IFRS IC – 15 February | After considering the IFRS IC’s analysis of the request and performing limited informal outreach, it was staffs view that the Board did not need to comment. |

| Originating organisation | Document | Date of release | AOSSG input | Comments due | Staff recommendation for AASB approach |
|--------------------------|--|-----------------|-------------|--------------|--|
| (IFRS IC) | <i>Financial Instruments</i> | | | | <p>Staff consider that the tentative agenda decision provides useful guidance on the application of current Standards.</p> <p>The request related to applying the hedge accounting requirements in IFRS 9 <i>Financial Instruments</i> for which the objective is to fix the cash flows in real terms. In the fact pattern described, an entity wants to hedge a floating rate (LIBOR) debt with an inflation swap (which swaps the variable interest cash flows of the floating debt for variable cash flows based on inflation index) in a cash flow hedge.</p> <p>The request questioned whether a hedge of the variability in cash flows arising from the changes in the real interest rate, could rebut the presumption in IFRS 9.B6.3.13 and be accounted for as a cash flow hedge.</p> <p>The IFRS IC made a tentative agenda decision not to add this matter to its standard-setting agenda because the requirements in IFRS 9 provide an adequate basis for an entity to determine whether a hedge of the variability in cash flows arising from changes in the real interest rate, rather than the nominal interest rate, could be accounted for as a cash flow hedge.</p> |

Current and forthcoming IPSASB documents for comment – decision needed from the Board as to whether to comment or to take other action

| Originating organisation | Document | Date of release | Comment due date | Staff recommendation for AASB approach |
|--------------------------|---|-----------------|------------------|---|
| IPSASB | IPSASB ED 75 <i>Leases</i> and related Request for Information (to seek details of public sector-specific matters that should be considered for inclusion in Phase 2) | 15 January 2021 | 17 May 2021 | <p>IPSASB’s Leases project has two phases: Phase 1 – align with IFRS 16 <i>Leases</i>; and Phase 2 – address any public-sector-specific matters relating to leases, including consideration of concessionary leases.</p> <p><u>Phase 1:</u> The IPSASB issued ED 75 to propose alignment with IFRS 16. Staff recommend the Board not comment on ED 75. Since AASB 16 <i>Leases</i> (which incorporates IFRS 16) applies to public sector entities, staff do not consider it is necessary to provide formal feedback to the IPSASB on its alignment-with-IFRS 16 proposal.</p> <p><u>Phase 2:</u> The IPSASB issued a Request for Information (RFI) document to obtain information about the types of arrangements in the public sector that might require additional guidance to be addressed in Phase 2 of the project.</p> <p>The RFI includes specific questions on the following arrangements:</p> <ul style="list-style-type: none"> (a) concessionary leases; (b) leases for zero or nominal consideration; (c) access rights (or rights of access to property and/or land); (d) arrangements allowing rights of use; (e) social housing rental arrangements; (f) shared properties with or without a lease-arrangement; and (g) other arrangements similar to leases. <p>Staff consider that public sector entities in Australia might have similar arrangements as those described above and might benefit from additional guidance. Therefore, staff recommend consulting with the Board’s Project Advisory Panel for the Fair Value Measurement for Not-for-Profit Entities project and targeted public sector stakeholders (e.g. HoTARAC, ACAG and local government associations) to obtain</p> |

| Originating organisation | Document | Date of release | Comment due date | Staff recommendation for AASB approach |
|--|--|-----------------|------------------|---|
| | | | | <p>information about the nature and characteristics of any lease-type arrangements and their current accounting treatment. Subject to responses from those consultations, staff recommend the Board provide a formal response to the IPSASB on the RFI.</p> |
| <p><i>The IPSASB is planning to issue IPSASB ED 76 – ED 79 at the same time in March 2021, with a comment period of 6 months.</i></p> | | | | |
| IPSASB | IPSAS ED 76 <i>Conceptual Framework – Limited-Scope Update</i> ; and IPSASB ED 77 <i>Measurement</i> | March 2021 | September 2021 | As mentioned in Agenda Paper 10.1, the Board decided at the November 2020 meeting to respond to the IPSASB on these Exposure Drafts as they have cross-cutting issues with the Board’s Fair Value Measurement for Not-for-Profit Entities project. |
| IPSASB | IPSASB ED 78 <i>IPSASB 17 Update, Heritage and Infrastructure</i> | March 2021 | September 2021 | <p>IPSASB ED 78 will propose amendments to IPSAS 17 <i>Property, Plant and Equipment</i> and would add implementation guidance and illustrative examples to address issues relating to heritage assets and infrastructure assets.</p> <p><u>Heritage assets:</u> Currently, IPSAS 17 does not require an entity to recognise heritage assets. ED 78 will propose removing this scope exclusion and would require heritage assets to be depreciated and be subject to impairment reviews applicable to other property, plant and equipment (PPE).</p> <p><u>Infrastructure assets:</u> The IPSASB consider infrastructure assets as those assets that are made up of a number of assets, such as networks or systems that serve the community at large. Examples of infrastructure assets include electricity power systems, road networks and water systems. ED 78 will propose establishing characteristics to distinguish infrastructure assets from general PPE and include illustrative examples and implementation guidance to address complexities in the application of IPSAS 17. This would include control of land under or over</p> |

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|--------------------------|--|-----------------|------------------|---|
| | | | | <p>infrastructure assets and the use of condition-based information to estimate depreciation of infrastructure assets.</p> <p>Staff recommend the Board not comment on IPSASB ED 78. This is because:</p> <ul style="list-style-type: none"> • AASB 116 <i>Property, Plant and Equipment</i> sets out accounting requirements for heritage assets and infrastructure assets and staff have not heard that there are significant issues with the accounting requirements in AASB 116; and • the Board’s forthcoming Agenda Consultation for domestic projects would provide input to the Board to understand whether there is an urgent need to look into heritage assets and infrastructure assets. <p>In accordance with paragraphs 19 and 23 of The AASB’s Approach to IPSAS policy document, staff would continue monitoring the project and assess whether any of the proposed guidance and illustrative examples might be useful additions to AASB 116.</p> |
| IPSASB | IPSASB ED 79 <i>Non-Current Assets Held for Sale and Discontinued Operations</i> | March 2021 | September 2021 | <p>The IPSASB decided to develop a new Standard aligned with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>. In addition to IFRS alignment, IPSASB ED 79 will propose an additional disclosure of the fair value of assets held for sale where they are measured at a lower carrying amount. Assets that are being transferred, but not sold, to other public sector entities would not be covered by ED 79.</p> <p>Staff recommend the Board not comment on IPSASB ED 79 since the proposal is to align with IFRS 5, which is incorporated in AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>. Staff will monitor this project to assess whether there are any public sector aspects that should be considered by the Board for amendment of AASB 5.</p> |

Current documents for comment by other organisations – decision needed from the Board as to whether to comment or to take other action

| Originating organisation | Document | Date of release | Comments due | Staff recommendation for AASB approach |
|--|--|-----------------|---------------|---|
| The International Valuation Standards Council (IVSC) | Perspectives Paper: Defining and Estimating 'Social Value' | November 2020 | Not specified | <p>The IVSC issued this Perspectives Paper to seek input from constituents on whether not-for-profit entities should recognise 'social value'; and in particular, whether social value should be reflected in the valuation of assets that are held primarily for the social benefit they provide (and not for generating a monetary return).</p> <p>The paper considers that social value has three elements:</p> <ol style="list-style-type: none"> 1. monetary benefit to the asset owner: the cash flows derived from the use of the asset that flow to the asset owner(s); 2. social benefit to asset users: the benefits derived from the use of the asset that flow to the asset users. This can be referred to as 'social investment' where cashflows or asset values might be foregone by the asset owner to provide benefits to the asset users; and 3. social benefit to non-asset users: the benefits derived from the asset that flow to the non-asset users including the wellbeing of individuals and communities, social capital and the environment. <p>This is an important topic for the not-for-profit sector, but due to resource constraints, staff recommend the Board not comment on the Perspectives Paper at this stage. Staff recommend including this topic in the Board's outreach on potential projects to be considered in the forthcoming Agenda Consultation to determine whether this might be a key area of focus in the short to medium term.</p> <p>Staff will continue monitoring this project to assess any implications on the measurement aspect (including the meaning of the term 'service potential') of the Board's project to adapt the Revised Conceptual Framework for application by NFP entities.</p> |

| Originating organisation | Document | Date of release | Comments due | Staff recommendation for AASB approach |
|--|--|-----------------|---------------|--|
| The International Valuation Standards Council (IVSC) | Exposure Draft IVS 500 Financial Instruments | December 2020 | 19 April 2021 | <p>The IVSC is undertaking a project to review its existing Standard IVS 500 <i>Financial Instruments</i>. Exposure Drafts proposing improvements to IVS 500 are expected to be issued in stages covering each of the following areas:</p> <ul style="list-style-type: none"> • governance and data; • methods and models; and • controls and reporting. <p>This is the first of the three Expose Drafts, which proposes improvements to IVS 500 in respect of governance and data. Staff recommend the Board not comment on the Exposure Draft, since its focus is on the processes of a valuer or a director of an organisation rather than on accounting or measurement of financial instruments.</p> |
| The International Valuation Standards Council (IVSC) | Perspectives Paper: Challenges to Market Value | January 2021 | Not specified | <p>The coronavirus epidemic has created uncertainty in all markets and led to challenges in valuation, particularly in estimating Market Value, due to the lack of market information in a pandemic environment.</p> <p>The IVSC issued this Perspectives Paper to seek input on:</p> <ol style="list-style-type: none"> 1. difficulties in utilising the current Market Value definition (as defined in the IVS); 2. whether there are other bases of value that don't currently exist in IVS that constituents would like the IVSC to consider to remedy difficulties with the Market Value definition; and 3. whether further guidance is needed to assist in the valuation process associated with Market Value. <p>Market Value is currently defined in the IVS as “the estimated amount for which an asset or liability should exchange on the valuation date between a <u>willing buyer and a willing seller</u> in an arm’s length transaction, after <u>proper marketing</u> and where the parties had each <u>acted knowledgeably, prudently and without compulsion</u>.” [emphasis added] (IVS 104 <i>Bases of Value</i></p> |

| Originating organisation | Document | Date of release | Comments due | Staff recommendation for AASB approach |
|---|--|-----------------|----------------|---|
| | | | | <p>paragraph 30.1)</p> <p>The IVSC has received feedback that, in some markets, estimation of Market Value is becoming difficult. For example,</p> <ul style="list-style-type: none"> • how does a valuer assess whether the parties ‘acted knowledgeably, prudently and without compulsion’ under a pandemic environment; and • whether a pandemic environment enable parties to undertake ‘proper marketing’ or do sales that are witnessed in the early stages of such an event represent an environment comprised of overly willing sellers and opportunistic buyers that is more aligned with a liquidation market? <p>Staff recommend the Board not comment on this Perspectives Paper because the key focus of the paper is on valuation processes in accordance with IVS and not directly related to accounting.</p> |
| The Chartered Institute of Public Finance and Accountancy | Consultation Paper: International Financial Reporting for Non Profit Organisations | January 2021 | September 2021 | Staff recommend that the Board not comment on this consultation paper given Australian Accounting Standards already set out financial reporting requirements for NFP entities preparing GPFS. Staff will reference the initiative when drafting future consultation document on NFP Private Sector Financial Reporting Framework (NFP FRF) for Board’s consideration whether the future international guidance could be leveraged within future differential reporting for NFP private sector entities. |
| European Financial Reporting Advisory Group | Discussion Paper Accounting For Crypto-Assets (Liabilities): Holder And Issuer Perspective | July 2020 | July 2021 | Staff recommend that the Board not comment on this Discussion Paper as feedback (based on limited outreach) has been already provided through AOSSG at IASB ASAF and this project is expected to be part of IASB agenda consultation. |

Documents currently open for comment – decisions already made by the Board at previous meetings

| Originating organisation | Document | Date of release | Comments due | Summary |
|---------------------------------|--|------------------------|---|--|
| IPSASB | IPSASB ED 74 <i>IPSAS 5, Borrowing Costs – Non-Authoritative Guidance</i> | October 2020 | 31 March 2021 | <p>The Board decided at the September 2020 meeting not to comment on the Exposure Draft.</p> <p>The proposed amendments relate only to non-authoritative material, to add implementation guidance and illustrative examples, for determining the extent to which borrowing costs can be capitalised.</p> |
| IASB | IFRS Standard Request for Information: Post-implementation Review <i>IFRS 10</i> Consolidated Financial Statements <i>IFRS 11</i> Joint Arrangements <i>IFRS 12</i> Disclosure of Interests in Other Entities | 9 December 2020 | To IASB – 10 May 2021 To AASB – 15 March 2021 | <p>The Board decided at the September 2020 meeting to hold targeted outreach activities and provide comments to IASB subject to availability of resources.</p> |
| IASB | Lease Liability in a Sale and Leaseback - Exposure Draft | November 2020 | To IASB – 29 March 2021 To AASB – 21 February 2021 | <p>The Board decided at the September meeting to provide comments to IASB subject to the submissions received from the stakeholders. While no formal submissions had been received as of 10 February 2021, staff intend to perform additional targeted outreach and expect at least one submission will be received.</p> <p>Staff recommend that the Board make a submission to the IASB. Refer agenda paper 12.1.1.</p> |

Questions to the Board

1. Does the Board agree with the above staff recommendations?
2. Does the Board have any other comments on the documents open for comment?