



Project:	Not-for-Profit Private Sector Financial Reporting Framework	Meeting:	M187
Topic:	Project overview	Agenda Item:	5.0
		Date:	2 May 2022

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Project Priority:	High
Decision-Making:	High
Project Status:	Initial deliberations

Objective of this agenda item

- 1 The objective of this agenda item is, for the purposes of the Not-for-Profit Financial Reporting Framework (NFP FRF), for the Board to **decide** its preliminary views on Tier 3 accounting requirements for:
 - (a) revenue/income (Agenda Papers 5.1.1, Agenda Paper 5.1.2 and Agenda Paper 5.1.3); and
 - (b) financial instruments (Agenda Papers 5.2.1 and 5.2.2).¹

Attachments

Agenda paper 5.1.1	Tier 3 – Revenue/Income – Determining the distinction for the accounting for inflows of resources
Agenda paper 5.1.2	Tier 3 – Revenue/Income – Requiring identification of sufficiently specific criterion
Agenda paper 5.1.3	Tier 3 – Revenue/Income – Supporting document: High-level scenarios and other supporting materials
Agenda paper 5.2.1	Tier 3 – Financial instruments – Background
Agenda paper 5.2.2	Tier 3 – Financial instruments – Coverage and measurement

Background

- 2 At its 20-21 February 2021 meeting, the Board agreed to develop a further reporting Tier (Tier 3) for application by not-for-profit (NFP) private sector entities. A number of staff papers have been presented. The Board has decided on a number of tentative decisions to date in developing the Tier 3 accounting requirements. [The Not-for-Profit Private Sector Financial Reporting Framework](#)

1 Staff will bring analysis and recommendation on further aspects of financial instruments requirements (hedge accounting, embedded derivatives, derecognition criteria and fair value measurement) to the June 2022 Board meeting.

[Project Summary](#) provides the overview of the Board’s tentative decisions to date in respect of the project.

Tier 3 Revenue/Income – determining the distinction for the accounting for inflows of resources (Agenda Paper 5.1.1)

- 3 The objective of Agenda Paper 5.1.1 is for the Board to consider the staff analysis and recommendations on Tier 3 reporting requirements on whether to require a distinction for the accounting for inflows of resources (other than volunteer services), that may result in the income received by a Tier 3 entity. This paper address how to develop an approach to cover transfers that are within the scope of AASB 15 *Revenue from Contracts with Customers* and transfers within the scope of AASB 1058 *Income of Not-for-Profit Entities*.

Tier 3 Revenue/Income – requiring assessment of sufficiently specific criteria (Agenda Paper 5.1.2)

- 4 The objective of Agenda Paper 5.1.2 is for the Board to consider staff analysis and recommendations on Tier 3 accounting requirements on whether to require the assessment of ‘sufficiently specific’ criteria for accounting of resources with explicit stipulation or reciprocal transactions. This paper is only relevant if the Board decides to require a distinction on the accounting for inflows of resources in Agenda Paper 5.1.1.

Tier 3 Revenue/Income – Supporting document: High-level scenarios and other supporting materials (Agenda Paper 5.1.3)

- 5 Agenda Paper 5.1.3 is a supporting document to provide the Board with six high-level scenarios to illustrate the differences in the possible income recognition options presented in Agenda Paper 5.1.1 and Agenda Paper 5.1.2 and other supporting materials.

Tier 3 Financial instruments (Agenda Paper 5.2.1)

- 6 The objective of Agenda Paper 5.2.1 is for the Board to consider the background and reasons for brining the topic of financial instruments to the Board and to seek Board members’ views on the completeness of the areas of simplifications considered.

Tier 3 Financial instruments – coverage and measurement (Agenda Paper 5.2.2)

- 7 The objective of Agenda Paper 5.2.2 is for the Board to consider the staff analysis and recommendation on Tier 3 accounting requirements for financial assets and financial liabilities, interest income and interest expenses, and impairment of financial assets that are debt instruments.

Updated project timeline and milestones

- 8 As noted at the August 2021 AASB meeting ([Agenda Paper 4.1](#)), staff are actively considering the project timeline. Due to the promixity of the April and May 2022 Board meeting, staff will bring project update including interactions with cross cutting projects and any relevant research updates in the June 2022 Board meeting. Subject to the Board’s decisions at this meeting, staff have revised the project timeline to include further discussion required on financial instruments at the June 2022 Board meeting. Staff have also revised the project timeline to provide the working draft of the DP to the subcommittee in June and staff will present the working draft of the DP to the Board at the August 2022 Board meeting.

TIMELINE	PROJECT MILESTONES	TOPIC
MAY 2022	Board’s deliberations on DP preliminary views	<ul style="list-style-type: none"> • Financial instruments • Revenue/Income (final discussion)

TIMELINE	PROJECT MILESTONES	TOPIC
JUN 2022	Board's deliberations on DP preliminary views ²	<ul style="list-style-type: none"> Financial instruments (to consider hedge accounting, embedded derivatives, derecognition criteria and fair value measurement) Disclosures for the key topics to be included in the DP
AUG 2022	Board to review draft DP and appoint subcommittee to finalise out of session. Staff to engage with communication and production experts to finalise DP	<ul style="list-style-type: none"> Consider draft of DP Any outstanding matters, including any sweep issues
SEP 2022	DP exposed for public comment	
SEP 2022 – MAR 2023	Outreach	
Q2 2023	Staff to consider feedback	

Question 4 to the Board

Do Board members agree with the project timeline and milestones presented in paragraph 8 above?

2 Staff will provide working draft of the DP to subcommittee for review