



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 228
13 March 2024

Welcome to the AASB Action Alert

The AASB Board met in public and in private on 7–8 March 2024. At the meeting, the Board made key decisions in relation to:

[Not-for-Profit Private Sector Financial Reporting Framework](#)

[Conceptual Framework – Not-for-Profit Amendments](#)

[Tier 2 – Supplier Finance Arrangements](#)

[Post-implementation Review – Superannuation Entities](#)

The Board also discussed the following topics:

[Post-implementation Review – Income of Not-for-Profit Entities](#)

[Financial Instruments with Characteristics of Equity](#)

[Service Performance Reporting](#)

[Research and Post-implementation Review Projects](#)

[Sustainability Reporting Update](#)

[Public Sector Workplan Update](#)

Not-for-Profit Private Sector Financial Reporting Framework

The Board is continuing to develop its Exposure Draft of a proposed Tier 3 financial reporting framework for not-for-profit private sector entities. At this meeting, the Board decided to include the following proposals or approaches in the ED:

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- (a) an accounting policy choice for non-financial assets acquired at significantly less than fair value to be measured initially either at cost, which may be nil or a nominal amount, or at fair value. The Board decided to seek specific stakeholder feedback through the ED on the cost of obtaining the fair value of non-financial assets acquired at significantly less than fair value;
- (b) permit an entity to apply either the cost model or the revaluation model as its accounting policy for the subsequent measurement of classes of non-financial assets acquired at significantly less than fair value, regardless of the initial-measurement policy. An entity may elect to apply different measurement models to different classes of assets. The Board will consider at a future meeting how its proposals in respect of changes in accounting policies apply in this regard;
- (c) develop disclosure requirements to require entities to disclose information that helps users of financial statements to understand the nature of, and the entity's dependence on, non-financial assets acquired at significantly less than fair value;
- (d) align the requirements for a statement of changes in equity with existing Tier 2 requirements;
- (e) permit an entity to elect to present cash flows from investing activities and financing activities either separately or together and to present cash flows from operating activities using either the direct method or the indirect method;
- (f) require concessional loans to be measured initially at transaction price rather than fair value;
- (g) exclude specific requirements regarding recognition, measurement, presentation or disclosure in respect of:
 - (i) premiums and discounts on acquiring or originating loans;
 - (ii) the fair value hierarchy;
 - (iii) determining the cost of inventories purchased on deferred settlement terms; and
 - (iv) the exemption from certain related party disclosure requirements for government-related entities set out in AASB 124 *Related Party Disclosures*;
- (h) not develop further guidance on how entities would subsequently measure unlisted equity instruments when cost is not a reliable measure of fair value;
- (i) permit an entity to elect whether to allocate production overheads to inventories' cost of conversion, with the election to be applied to all inventories produced by the entity;



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- (j) include an impracticability exemption from the requirement to align the accounting policies of the investor and the investee when applying the equity method of accounting to an investment in an associate or a joint venture;
- (k) include guidance on:
 - (i) recognition, measurement and disclosure of contingent assets and reimbursement assets; and
 - (ii) measurement of value in use for assessing the impairment of non-financial assets;
- (l) not to include assets being held for sale as an impairment indicator and to retain the proposed requirement for entities to apply the Tier 2 requirements for assets held for sale;
- (m) require disclosure of the entity's parent and, if different, its ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so (if any) would be disclosed;
- (n) not require disclosure of key management personnel remuneration but seek specific stakeholder feedback through the ED on whether such disclosures should be required; and
- (o) include non-mandatory illustrative examples.

The Board decided to consider Tier 3 requirements for business combinations and goodwill before considering whether to develop guidance on cash-generating units in relation to assessing the impairment of assets.

Conceptual Framework – Not-for-Profit Amendments

The Board discussed its approach to revising the conceptual framework for not-for-profit entities and decided to focus the project on extending the application of the *Conceptual Framework for Financial Reporting* to not-for-profit entities.

The Board decided that a revised *Conceptual Framework for Financial Reporting* would apply to both private sector and public sector not-for-profit entities and confirmed its previous decisions on the not-for-profit modifications to propose for the *Conceptual Framework for Financial Reporting*.

The Board directed staff to continue developing an exposure draft of its proposals.

Tier 2 – Supplier Finance Arrangements

The Board voted to make Accounting Standard AASB 2024-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements: Tier 2 Disclosures*. This Standard amends AASB 1060



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General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities to require a Tier 2 entity to disclose information about its supplier finance arrangements. The new disclosures will enable users of financial statements to assess the effects of those arrangements on the entity's liabilities, cash flows and exposure to liquidity risk.

The Standard applies to annual periods beginning on or after 1 January 2024 that end on or after 30 June 2024, such as the 2024/25 financial year, with earlier application permitted.

Post-implementation Review – Superannuation Entities

The Board considered the feedback received on the nine topics in Invitation to Comment ITC 54 *Post-implementation Review of AASB 1056 Superannuation Entities and Interpretation 1019 The Superannuation Contributions Surcharge*. The topics include sub-fund reporting, the statement of changes in member benefits, fair value measurement of assets and the accounting treatment of subsidiaries.

The Board noted specific issues raised by some stakeholders in respect to:

- (a) whether defined contribution member benefits are disaggregated from defined benefit member benefits when a member is entitled to both types of benefits;
- (b) additional line items that might be added to the statement of members' benefits; and
- (c) possible additional disclosures about successor fund transfers.

After considering the feedback, the Board decided:

- (a) not to propose any amendments to AASB 1056;
- (b) to monitor the practices of superannuation entities and industry product trends, which might inform future improvements to the Standard; and
- (c) to retain Interpretation 1019 in its existing form.

The Board will publish a Feedback Statement summarising the feedback received and Board decisions.

Post-implementation Review – Income of Not-for-Profit Entities

The Board discussed the feedback received in response to a number of topics in Invitation to Comment ITC 50 *Post-implementation Review – Income of Not-for-Profit Entities*, in particular Topic 4: Principal v agent, including the appropriate recognition of financial liabilities, Topic 5: Grants received in arrears, Topic 7: Accounting for research grants and Topic 8: Statutory receivables.

The Board will consider the overall recommendations for its response to the feedback for all ITC 50 topics and decide on the next steps at a future meeting.

Financial Instruments with Characteristics of Equity

The Board deliberated its response to the IASB Exposure Draft ED/2023/5 *Financial Instruments with Characteristics of Equity* (AASB ED 327). The Board decided to address a range of matters in its submission to the IASB, including the following:

- (a) the IASB should clarify the wording in paragraph AG24A relating to the effects of laws or regulations and consider including the guidance proposed in paragraph AG24B in the main part of the Standard;
- (b) the scope of IAS 32 *Financial Instruments: Presentation* should not be expanded to include the measurement of certain financial liabilities, such as those relating to an entity's obligations to purchase its own equity instruments and contingent settlement provisions – however the IASB should explain why the “redeemable amount” is an appropriate measure of fair value based on the guidance in IFRS 9 *Financial Instruments* and IFRS 13 *Fair Value Measurement*; and
- (c) allow an accounting policy choice for the recognition of payments made at the issuer's discretion as either interest or dividends if the equity component of a compound financial instrument has an initial carrying amount of zero.

Service Performance Reporting

The Board supported the Service Performance Reporting project plan reflecting the working assumptions that the Board adopted at a previous meeting, including using the New Zealand Accounting Standard NZ PBE FRS 48 *Service Performance Reporting* as the primary point of reference at least initially.

The Board emphasised the need for effective engagement and collaboration with regulators and stakeholders, including those who would benefit from improvements in the reporting of service performance information, and the need for weighing its benefits and the associated reporting costs.

Research and Post-implementation Review Projects

The Board noted recent and upcoming Research Centre activities, including:

- (a) the publication of the joint AASB-AUASB Research Report *Trends in climate-related disclosures and assurance in the Annual Reports of ASX-listed entities* (November 2023);
- (b) the forthcoming AASB SSRN Working Paper *Report on Australian listed companies' readiness for IFRS S2 Climate-related Disclosures*;



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- (c) the upcoming March 2024 Dialogue Series session, which will discuss the concept of connectivity and boundaries of reporting;
- (d) the commencement of the following research projects:
 - (i) understanding the concepts and application of undue cost or effort in the Accounting Standards; and
 - (ii) users' perspectives on the usefulness of the Statement of Cash Flows and related information; and
- (e) the AASB submission to EFRAG's Discussion Paper *Accounting for Variable Consideration – From a purchaser's perspective*.

The Board also noted the overall progress of the post-implementation review projects.

Sustainability Reporting Update

The Board received an update on:

- (a) the recent and extensive outreach activities related to ED SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*, the comment period for which closed on 1 March 2024; and
- (b) international and jurisdictional sustainability reporting developments.

Public Sector Workplan Update

The Board considered a draft plan for progressing public-sector-specific projects, subject to staff resources. In addition to its decision in November 2023 to commence work on assessing how the forthcoming Accounting Standard IFRS 18 *Presentation and Disclosure in Financial Statements* might affect public sector entities' financial statements, the Board plans to work on the following projects in 2024:

- (a) post-implementation review of AASB 1059 *Service Concession Arrangements: Grantors*;
- (b) assessing the results of the independent review of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* commissioned by the FRC in 2021; and
- (c) public sector long-term discount and inflation rates.

Recently Approved Documents

Since last reported (Action Alert, 4 December 2023), the Board approved the following Standards, Exposure Drafts or other proposal documents:



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Date Approved	Document	Effective Date (Standards/Int'ns) or Due Date for Submissions (EDs)
5 Dec. 2023	ED 327 <i>Financial Instruments with Characteristics of Equity</i>	9 February 2024
18 Dec. 2023	AASB 1056 <i>Superannuation Entities</i>	Periods beginning on or after 1 July 2023 that end on or after 31 December 2023
19 Dec. 2023	ED 328 <i>Supplier Finance Arrangements: Tier 2 Disclosures</i>	5 February 2024
7 March 2024	AASB 2024-1 <i>Amendments to Australian Accounting Standards – Supplier Finance Arrangements: Tier 2 Disclosures</i>	Periods beginning on or after 1 January 2024 that end on or after 30 June 2024

Documents Open for Comment

The following documents are open for comment. AASB submissions to the IASB, the ISSB, the IFRS Interpretations Committee, the IFRS Foundation, the IPSASB and other organisations are published on the AASB website.

Issuer	Document	AASB No.	AASB Due Date	Other Organisation Due Date
AASB	ED 327 Financial Instruments with Characteristics of Equity	ED 327	closed	29 March 2024
IPSASB	ED 86 Exploration for and Evaluation of Mineral Resources	–	–	31 May 2024
IPSASB	ED 87 Stripping Costs in the Production Phase of a Surface Mine	–	–	31 May 2024

AASB Board Future Meeting Dates

16 April 2024
6–7 June 2024
26 June 2024
5–6 September 2024
7–8 November 2024

April 2024 AASB meeting

The Board is expected to address the following agenda items:

Climate-related Financial Disclosure