



Project:	Fair Value Measurement for Not-for-Profit Public Sector Entities	Meeting	AASB December 2022 (M192)
Topic:	Consider ballot draft amending Standard	Agenda Item:	3.1
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		Project Priority:	Medium
		Decision-Making:	High
		Project Status:	Consider ballot draft amending Standard

Objectives of this agenda item

- 1 In respect of the proposed modifications to AASB 13 *Fair Value Measurement* for application by not-for-profit (NFP) public sector entities, the objectives of this agenda item are for the Board to:
 - (a) **consider** comments received on the [Fatal-Flaw Review \(FFR\) draft version](#) of proposed amending Standard AASB 2022-X *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (Agenda Papers 3.2 and 3.3);
 - (b) **consider** staff's recommended changes to the proposed modifications in the FFR draft version, as shown in marked-up text in Agenda Paper 3.4; and
 - (c) if appropriate, **approve** issuing the amending Standard by voting on the ballot draft (Agenda Paper 3.5) at the December 2022 meeting.

Reasons for bringing this agenda item to the Board

- 2 After considering feedback received on Exposure Draft ED 320¹ at its September 2022 meeting, the Board issued for comment a [FFR draft version](#) of a proposed Standard. The proposed Standard would modify AASB 13 for application by NFP public sector entities in respect of fair value measurements of non-financial assets not held primarily for their ability to generate net cash inflows.²
- 3 The FFR draft Standard was issued on 12 October 2022 and its comment period closed on 11 November 2022. Three submissions were received. Accordingly, the objective of this agenda item is to consider stakeholders' feedback on the FFR draft and to finalise the amending Standard.

1 ED 320 [Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities](#)

2 The project summary is available [here](#).

Stakeholders' feedback

Feedback on the FFR draft

- 4 The respondents to the FFR draft are:
 - (a) the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC), which expressed unqualified support for the proposals;
 - (b) the Australasian Council of Auditors-General (ACAG), which expressed support for the principles of the proposed modifications to AASB 13 but also provided comments on how the drafting of some of the proposals might be refined; and
 - (c) Liquid Pacific, who, consistent with their submission on ED 320 and their letter to the Board dated 21 September 2022, expressed disagreement with most aspects of the proposed AASB 13 modifications.
- 5 In addition, staff held a meeting with the Fair Value Project Advisory Panel (the Panel) on 4 November 2022 to discuss the FFR draft.
- 6 Other than Liquid Pacific, all other stakeholders who provided comments on the FFR draft expressed agreement with the principles of the proposed modifications to AASB 13. However, the ACAG submission and some Panel members also provided suggestions for clarifying the drafting of certain proposals to support their application.
- 7 As explained in Agenda Paper 3.2, staff consider that the main reasons for Liquid Pacific's disagreement with the Board's proposals stem from their disagreement with certain fundamental fair value principles as enunciated in the Board's proposed modifications and with application of the Board's standard-setting process. Staff consider that the Board's views on the fair value principles are technically sound. Other stakeholders, including the Australian Property Institute (in their ED 320 submission), HoTARAC and ACAG have expressed agreement with the Board's views. Accordingly, staff request the Board to approve issuing the amending Standard in session at the December 2022 meeting.

Further input from ACAG members and Panel members

- 8 Staff considered the stakeholders' comments on the FFR draft, and decided to recommend that the Board makes some changes in the final Standard. On 18 November 2022, staff circulated a paper to ACAG members and Panel members for review. That paper included staff suggested revisions to the mandatory section of the amending Standard and to the Illustrative Examples. Five ACAG jurisdictions and three Panel members responded to that review request.
- 9 The objective of that review request was to:
 - (a) confirm whether staff have correctly interpreted the comments expressed in the ACAG submission and feedback provided by Panel members at the Panel meeting; and
 - (b) minimise the risk of unintended consequences of the staff suggested changes.

Papers for this agenda item

- 10 In addition to this Cover Memo, there are four other papers in the combined pack for Board members' consideration and decisions. There are two additional papers in the supplementary folder for Board members' information. The following table includes a description of these agenda papers.

Paper number	Description
Agenda Paper 3.2	This paper includes staff's analysis of Liquid Pacific's comments on certain fair value principles. Liquid Pacific's comments on the Illustrative Examples related to the application of the cost approach are discussed in Agenda Paper 3.3.
Agenda Paper 3.3	This paper includes: (a) a summary of stakeholders' comments on the drafting of the FFR draft, regarding application of its proposed principles; and (b) staff's suggested actions in response to stakeholders' comments.
Agenda Paper 3.4	To assist Board members' review of the ballot draft, this paper includes marked-up text showing all changes made to the FFR draft for the ballot draft.
Agenda Paper 3.5	This paper is the ballot draft of the proposed Standard AASB 2022-X for Board members' consideration and voting. It contains the same content as Agenda Paper 3.4 but presented entirely as clean text. The date of making (page 5), the month of issue (cover) and the Standard number would be inserted into the Standard following a decision by the Board to make the Standard.
Agenda Paper 3.6 [in supplementary folder]	Submissions received on the FFR draft.
Agenda Paper 3.7 [in supplementary folder]	Minutes of the 4 November 2022 Panel meeting.