



<b>Project:</b>	<b>Other Business – Public</b>	<b>Meeting:</b>	February 2019 (M169)
<b>Topic:</b>	<b>Cover Memo</b>	<b>Agenda Item:</b>	13.0
<b>Contact(s):</b>	Shachini Dassanayake <a href="mailto:sdassanayake@asb.gov.au">sdassanayake@asb.gov.au</a> 03 9617 7633	<b>Project Priority:</b>	n/a
		<b>Decision-Making:</b>	n/a
		<b>Project Status:</b>	n/a

## Objective of this paper

- 1 This Cover Memo sets out sets out the Other Business to be discussed in public by the Board at this meeting. There is no other business to be discussed in private at this meeting. Please refer to table below for details.

## OTHER BUSINESS – SUBMISSIONS

Paper No.	Title	Staff comment	Board action
13.1.1	AASB submission on IASB DP/2018/1 <i>Financial Instruments with Characteristics of Equity</i>	After seeking the views of Australian constituents through outreach, the AASB made its submission to the IASB DP/2018/1 <i>Financial Instruments with Characteristics of Equity</i> on 21 December 2018.	Included for noting only. No action required.

## OTHER BUSINESS – CORRESPONDANCE

Paper No.	Title	Staff comment	Board action
13.2.1	Submission to AASB on ITC 40 <i>Financial Instruments with Characteristics of Equity</i>	The Department of Finance raised a number of issues that will need consideration in applying the principles in the Discussion Paper to not-for-profit entities in Australia, including the public sectors.	Included for noting only. No action required.

## OTHER BUSINESS – OTHER

Paper No.	Title	Staff comment	Board action
N/A	Holdover leases	Staff have been made aware of application issues regarding whether holdover leases are enforceable under IFRS 16.B34 <sup>1</sup> .	<b>Question for the Board:</b> Are Board members aware of any other entities with similar types of leases? If so, are Board members aware of such entities

<sup>1</sup> In determining the lease term and assessing the length of the non-cancellable period of a lease, an entity shall apply the definition of a contract and determine the period for which the contract is enforceable. A lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

Paper No.	Title	Staff comment	Board action
		<p>A holdover lease is where the tenant remains in a property after the expiration of the lease. If the landlord continues to accept rent payments, the holdover tenant can continue to legally occupy the property.</p>	<p>experiencing implementation issues?</p>
13.3.1	<p>AASB and AUASB joint publication on Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB Practice Statement 2</p>	<p>The AASB and AUASB has issued a bulletin on <i>Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB Practice Statement 2</i> which guides directors, preparers and auditors when preparing and auditing financial statements for their next half and full year ends. Even though the guidance is not mandatory, it represents the IASB's best practice interpretation of materiality and entities in Australia are already being subject to law suits regarding lack of disclosure.</p> <p>The Chair will present this bulletin at the upcoming International Forum of Accounting Standard-Setters (IFASS) and Accounting Standards Advisory Forum (ASAF) meetings.</p>	<p>Included for noting only. No action required.</p>
13.3.2	<p>ASIC issued a report on the results from its audit firm inspections for the period 1 January 2017 to 30 June 2018.</p>	<p>This report outlines the findings from ASIC inspections of 20 Australian audit firms undertaken in the 18 months to 30 June 2018, covering financial reports for years ended 31 March 2016 to 31 December 2017. The inspections focus on audits of financial reports of public interest entities prepared under the Corporations Act 2001 (Corporations Act).</p> <p>Key findings were as follows:</p> <ol style="list-style-type: none"> <li>1. 20% (23% in the previous review) of the key audit areas in audit files at the largest six firms, auditors did not obtain reasonable assurance that the financial</li> </ol>	<p>Included for noting only. No action required.</p>

Paper No.	Title	Staff comment	Board action
		<p>report as a whole was free of material misstatement; and</p> <p>2. 24% (25% of 390 key audit areas in the previous review) of the total 347 key audit areas across 98 audit files at firms of all sizes covered, auditors did not obtain reasonable assurance that the financial report as a whole was free of material misstatement.</p> <p>Key areas for improvement were as follows:</p> <ol style="list-style-type: none"> <li>1. the audit of asset values, particularly impairment of non-financial assets;</li> <li>2. the audit of revenue – including accounting policy choices, substantive analytical procedures and tests of detail; and</li> <li>3. maintaining a strong culture of audit quality – including strong messages from firm leadership, setting expectations, leading by example, coaching, robust review processes and effective accountability mechanisms.</li> </ol>	
13.3.3	IASB update – November 2018	Staff do not consider there are any matters to raise with the IASB in relation to their decisions in their November meeting.	Included for noting only. No action required.
13.3.4	IASB update – December 2018	Staff do not consider there are any matters to raise with the IASB in relation to their decisions in their December meeting.	Included for noting only. No action required.
13.3.5	IASB update – January 2019	Staff do not consider there are any matters to raise with the IASB in relation to their decisions in their January meeting.	Included for noting only. No action required.

Paper No.	Title	Staff comment	Board action
13.3.6	IFRIC update – November 2018	<p>Staff do not consider there are any matters to raise with the IFRS Interpretations Committee in relation to their decisions in their November meeting.</p> <p>However, the committee tentatively decided not to add the following topics to its standard-setting agenda:</p> <ul style="list-style-type: none"> <li>• Sale of output by a joint operator (IFRS 11 Joint Arrangements)</li> <li>• Physical settlement of contracts to buy or sell a non-financial item (IFRS 9 Financial Instruments)</li> <li>• Over time transfer of constructed good (IAS 23 Borrowing Costs)</li> <li>• Customer’s right to access the supplier’s software hosted on the cloud (IAS 38 Intangible Assets)</li> <li>• Credit enhancement in the measurement of expected credit losses (IFRS 9 Financial Instruments)</li> <li>• Curing of a credit-impaired financial asset (IFRS 9 Financial Instruments)</li> </ul>	Included for noting only. No action required.
13.3.7	IFRIC update – January 2019	<p>Staff do not consider there are any matters to raise with the IFRS Interpretations Committee in relation to their decisions in their January meeting.</p> <p>However, the committee tentatively decided not to add following topic to its standard-setting agenda:</p>	Included for noting only. No action required.

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		<ul style="list-style-type: none"> <li>• Deposits relating to taxes other than income tax (IAS 37 Provisions, Contingent Liabilities and Contingent Assets)</li> </ul>	
13.3.8	<p>EFRAG Discussion Paper <i>Non-Exchange Transfers – A role for societal benefit?</i></p>	<p>The purpose of this EFRAG discussion paper is to encourage debate on:</p> <p>a) whether transfers in which an entity either receives or gives value from another entity without directly giving or receiving approximately equal value in exchange have differentiating characteristics that could warrant a specific accounting treatment; and</p> <p>b) if a specific accounting treatment is warranted, the possible features of that accounting treatment.</p> <p>Staff note that the AASB has undertaken extensive work in relation to non-exchange transfers of NFP entities in the project resulting in AASB 1058 <i>Income of Not-for-Profit Entities</i>. EFRAG’s discussion paper spans more broadly to include for-profit entities, with a view to making suggestions to the IASB on how it could address these transactions. Hence, if the IASB undertook a project in this regard, the AASB would be well placed to provide thought leadership based on its experience and also work to align any IASB outcomes to AASB 1058, if appropriate.</p> <p><b>Staff recommend</b> that the Board does not comment to EFRAG, but instead monitor whether the IASB intends to address this issue, and if so, potentially provide thought leadership from Australia directly to the IASB in the future.</p>	<p><b>Question to the Board:</b></p> <p>Does the Board agree with the Staff recommendation that the Board does not comment to EFRAG, but instead monitor whether the IASB intends to address this issue, and if so, potentially provide thought leadership from Australia directly to the IASB in the future?</p>