

AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 184

3 May 2017

Welcome to the AASB Action Alert

The AASB Board met in public on 1-2 May 2017. At the meeting the Board made key decisions in relation to:

- [Service Concession Arrangements: Grantors](#)
- [Agenda Consultation – AASB Work Plan 2017-2019](#)
- [Financial Reporting Framework](#)

The Board also discussed the following topics:

- [Reduced Disclosure Requirements](#)
- [Insurance](#)
- [Principles of Disclosure – IASB Discussion Paper](#)
- [IASB Request for Information re IFRS 13](#)
- [Research Strategy](#)
- [Academic Presentation: Non-GAAP Reporting Research](#)

Service Concession Arrangements: Grantors

The Board decided the following in response to issues raised regarding the public Fatal-Flaw Review version of the draft Standard AASB 10XY *Service Concession Arrangements: Grantors*:

- (a) if the service concession arrangement encompasses a business, as defined in AASB 3 *Business Combinations*, the grantor should recognise the assets (including any identifiable intangible assets) of the business if they meet the service concession criteria, excluding internally generated goodwill; and

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- (b) to include a diagram in the Implementation Guidance that summarises the key decisions to determine whether an operator provides public services through a service concession arrangement.

The Board also approved the timeline for finalising AASB 10XY, with a view to issuing the Standard by 30 June 2017.

Agenda Consultation – AASB Work Plan 2017-2019

The Board decided to continue work on key projects on its existing work program, noting the need to accelerate progress on its Australian Reporting Framework project as a priority over the 2017-2019 period.

At this meeting, the Board also considered possible topics where there may be opportunity to improve reporting and decided to add projects to its 2017-2019 work program to:

- (a) clarify the application of AASB 13 *Fair Value Measurement* to not-for-profit public sector entities regarding obsolescence, restrictions and disclosures;
- (b) clarify the accounting by grantors of public sector licences, including whether they are within the scope of AASB 15 *Revenue from Contracts with Customers*, and if not, whether there is a need to develop specific accounting requirements;
- (c) conduct research and a benchmarking exercise on senior executive remuneration reporting for both the public and private sectors, consistent with its strategy to also explore external reporting topics;
- (d) obtain an external party to perform a cost/benefit analysis of AASB 1049 *Whole of Government and General Government Sector Reporting*, responding to constituent concerns regarding the benefits of its fair value asset measurement requirements;
- (e) develop guidance for co-operatives and mutual entities to encourage the consistent application of Australian Accounting Standards, and to improve user understanding of the financial statements; and
- (f) conduct preliminary research on long-term discount rates and the impact of the volatility of spot discount rates on defined benefit liabilities of the public sector.

The Board observed its intention for these projects to be tightly scoped. This would assist the Board to complete these projects in a timely manner.

The Board also decided:

- (a) not to add separate projects to its work plan on contributions by owners or public sector combinations, but to review the existing accounting for:
 - (i) contributions by owners as part of its Conceptual Framework project; and
 - (ii) public sector combinations as part of its Business Combinations under Common Control project;
- (b) not to conduct further work on the accounting for volunteer services at this time. The Board considered a project in this regard is likely to be informed by a Post-Implementation Review of AASB 1058 *Income of Not-for-Profit Entities* and how preparers respond to its voluntary disclosures and the quality of information reported to the Australian Charities and Not-for-profits Commission (ACNC) over the next few years. The Board further observed that not-for-profit entities are encouraged by AASB 1058 to provide information that would communicate to users their dependence on volunteer services;
- (c) to further consult with the ACNC as to whether the Board could assist in improving reporting in response to issues related to differing definitions of 'fundraising'; and
- (d) to explore whether there is an issue to raise to the IFRS Interpretations Committee regarding whether research and development (R&D) tax incentives are a government grant or a tax item.

In addition, the Board considered the progress on the IPSASB's social benefits project. The Board observed the IPSASB project is likely to inform future Australian accounting for social benefits.

Accordingly, the Board decided that it would make a submission on the IPSASB's Exposure Draft, when exposed for comment.

The Board intends to set out in a feedback statement its decisions and rationale for projects to progress over the 2017-2019 period in priority to other possible projects identified through constituent feedback on the Invitation to Comment ITC 34 *AASB Agenda Consultation 2017-2019*. The feedback statement is expected to be issued in Q3 2017.

Financial Reporting Framework

The Board considered an updated project plan. In particular, staff will work in conjunction with other key regulatory bodies and stakeholders to determine user needs for information and to consider the costs and benefits of the financial reporting requirements for all Australian entities. Extensive research work, including comparing the existing reporting requirements with other jurisdictions, and consultation activities are underway to better understand and assess the criteria for determining (a) which entities are required to prepare general purpose financial reports and (b) the reporting requirements applicable to entities.

Reduced Disclosure Requirements

Staff updated the Board on the recent roundtable discussions held in Melbourne, Sydney and Canberra. The Board requested Staff to obtain additional feedback from preparers of Tier 2 financial statements through targeted outreach.

Insurance

The Board received a presentation on the latest developments regarding the forthcoming IFRS 17 *Insurance Contracts*. In addition, the Board reviewed tentative project timelines to issue IFRS 17 in Australia, initially for for-profit entities, and to consider any further guidance necessary for not-for-profit entities in both the private and public sectors.

Principles of Disclosure – IASB Discussion Paper

The Board tentatively decided its submission on the IASB Discussion Paper should focus on areas of import or concern to Australian constituents. The Board signalled the importance of investor feedback to the IASB project achieving its objectives.

IASB Request for Information re IFRS 13

The Board noted that feedback on the forthcoming IASB Request for Information on IFRS 13 *Fair Value Measurement* may inform its work or contribution to other projects. Accordingly, the Board decided to issue an AASB Invitation to Comment on the IASB Request for Information when the IASB document is issued.

Academic Presentation: Non-GAAP Reporting Research

AASB Research Director, Ann Tarca, used the monograph published by Chartered Accountants Australia and New Zealand “The rise and rise of non-GAAP disclosure – A survey of Australian practice and its implications” (authored by Jeff Coulton, Andrea Ribeiro, Yaowen Shan and Stephen Taylor) as a basis for discussion. The Board agreed that non-GAAP reporting is an important issue, in particular regarding whether and how it meets user needs, and noted further research on the relationship between segment and non-GAAP reporting and on the types of adjustments would be beneficial. The Board also discussed the relevance of the research findings to the IASB’s Principles of Disclosure and Primary Financial Statements projects.

Research Strategy

With the objective of achieving the AASB’s Strategic Directions, the Board agreed that appropriate research and evidence should be considered and incorporated into all of the AASB’s key projects, so that informed decisions can be made.

Recently Approved Documents

Since last reported (28 March 2017), the Board has approved the following Standards, Exposure Drafts or other documents:

| Date Approved | Document | Effective Date (Standards) Due Date for Submissions (EDs) |
|---------------|---|--|
| 10 April 2017 | AASB Agenda Decision <i>Materiality of Key Management Personnel Related Party Transactions of Not-for-Profit Public Sector Entities</i> | – |

Documents Open for Comment

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

| Originating Organisation | Document | AASB No. | AASB Due Date | Other Organisation Due Date |
|--------------------------|--|----------|---------------|-----------------------------|
| IASB | Exposure Draft <i>Prepayment Features with Negative Compensation</i> | ED 279 | 17 May 2017 | 24 May 2017 |



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| Originating Organisation | Document | AASB No. | AASB Due Date | Other Organisation Due Date |
|--------------------------|---|----------|------------------|-----------------------------|
| AASB | Exposure Draft <i>Reduced Disclosure Requirements for Tier 2 Entities</i> | ED 277 | 26 May 2017 | – |
| IASB | Exposure Draft <i>Improvements to AASB 8 Operating Segments</i> | ED 278 | 23 June 2017 | 31 July 2017 |
| IASB | Invitation to Comment <i>Disclosure Initiative – Principles of Disclosure</i> | ITC 35 | 4 September 2017 | 2 October 2017 |
| IPSASB | Consultation Paper <i>Financial Reporting for Heritage in the Public Sector</i> | – | – | 30 September 2017 |

Upcoming meetings and events

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|----------------|-----------------------|
| 24-25 May 2017 | IFRS Trustees meeting |
|----------------|-----------------------|

| AASB 2017 Scheduled Board Meeting Dates | 27-28 June AASB meeting |
|---|--|
| | At the next Board meeting it is expected the Board will deal with the following items: |
| 27-28 June 2017 | <ul style="list-style-type: none"> insurance financial reporting framework |
| 15 August 2017 | |
| 10-11 October 2017 | |
| 12-13 December 2017 | |