

AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 185

28 June 2017

Welcome to the AASB Action Alert

The AASB Board met in public on 27 June 2017. At the meeting the Board made key decisions in relation to:

- [Licences](#)
- [Australian Financial Reporting Framework – NFP Benchmarking](#)

The Board also discussed the following topics:

- [Service Concession Arrangements: Grantors](#)
- [Crowd Sourced Equity Funding \(CSF\)](#)
- [Tax Disputes](#)
- [Insurance](#)
- [Academic Presentation: SME Reporting in Australia](#)

Licences

The Board decided accounting for licences issued by not-for-profit (NFP) public sector entities and whether proceeds received should give rise to immediate recognition of revenue, or deferral and recognition over time, should be addressed. The Board noted the prevalence and magnitude of divergent accounting practices for non-intellectual property licences. The project will consider

- (a) the nature of the right created by the licence – whether the licence confers the right to use or access an asset, or confers a right to perform an activity, and whether different accounting treatments are appropriate; and

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- (b) whether the scope of AASB 15 *Revenue from Contracts with Customers* should be expanded to encompass licences issued under statute and/or licenses not relating to intellectual property.

Australian Financial Reporting Framework – NFP Benchmarking

The Board noted progress on the staff's NFP benchmarking report "Reporting Requirements for Not-for-Profit Entities – An International Comparison" as well as a revised plan for this part of the project. A consultative document will also be developed to facilitate discussions on reporting thresholds and requirements for not-for-profit entities.

Crowd Sourced Equity Funding (CSF)

The Board noted draft legislation to amend the Corporations Act 2001 to extend the CSF regime to proprietary companies and tentatively decided to develop guidance for entities on the type of financial statements required when the legislation is finalised.

Tax Disputes

The Board addressed a request from the Minister for Revenue and Financial Services that the Board consider proposals to amend the Australian Accounting Standards to require entities to disclose details of taxation disputes in financial statements. The Board decided to:

- (a) assess any proposed Australian-specific modifications for for-profit entities regarding the disclosure of tax disputes against the Board's *For-Profit Entity Standard-Setting Framework*, which it is currently in draft form;
- (b) liaise with the New Zealand Accounting Standards Board in relation to development of proposals in this area (if any); and
- (c) conduct outreach with relevant stakeholders to determine the likely users of tax dispute disclosures, the type of information sought by those users, the most appropriate location of such information (whether within or outside of financial statements) and constraints faced by preparers in disclosing tax dispute information in financial statements.

Insurance

The Board considered the application of the forthcoming Accounting Standard AASB 17 *Insurance Contracts* to NFP entities and tentatively decided that:

- (a) where a NFP entity issues an insurance contract (as defined in AASB 17), the Board's policy of transaction neutrality will apply and the entity would account for that contract using AASB 17;
- (b) the prevalence and magnitude of non-contractual NFP 'insurance-like' arrangements warrants NFP-specific modifications;
- (c) 'insurance-like' arrangements should be accounted for using AASB 17. Such arrangements include those:
 - (i) creating obligations to insured parties arising from statutory obligations;
 - (ii) where the obligation is managed similarly to an insurance contract as defined in AASB 17; considering; and
 - (iii) how premiums, if any, are determined:
 - how funding needs are determined, including actuarial assessments of long term obligations and whether they are calculated so as to replace premium collections;
 - whether the arrangement is managed based on insured risk or social outcomes;
 - whether a separate entity manages the scheme;
- (d) apart from the necessary modifications to achieve the above, no other NFP-specific modifications should be made to AASB 17.

In developing the amendments noted above, the Board will have regard to the International Public Sector Accounting Standards Board's continuing work on its Social Benefits project. To the extent possible, that work will be incorporated into the NFP-specific amendments.

Service Concession Arrangements: Grantors

The Board considered implementation guidance relating to the operator being responsible for managing some public services under a Service Concession Arrangement and decided to revise the approach to facility maintenance. The Board plans to vote on the Standard early in July.

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Academic Presentation: SME Reporting in Australia

Dr Karen Handley of the University of Newcastle presented a summary of the results of research undertaken in developing the paper “SME Reporting in Australia: Where to Now for Decision-usefulness?” (Karen Handley, Sue Wright and Elaine Evans, forthcoming).

Recently Approved Documents

Since last reported (3 May 2017), the Board has approved the following Standards, Exposure Drafts or other documents:

Date Approved	Document	Effective Date (Standards) Due Date for Submissions (EDs)
16 May 2017	Invitation to Comment – <i>Draft Appendix to the Tax Transparency Code</i>	28 February 2018
2 June 2017	Invitation to Comment ITC 36 Request for Comment IASB Request for Information on Post-Implementation Review – IFRS 13 <i>Fair Value Measurement</i>	31 August 2017
21 June 2017	Exposure Draft ED 280 <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	18 September 2017

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>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
IASB	Invitation to Comment <i>Request for Comment IASB Request for Information on Post-Implementation Review – IFRS 13 Fair Value Measurement</i>	ITC 36	31 August 2017	22 September 2017



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Originating Organisation	Document	AASB No.	AASB Due Date	Other Organisation Due Date
IPSASB	Consultation Paper <i>Financial Reporting for Heritage in the Public Sector</i>	–	–	30 September 2017
AASB	Invitation to Comment – <i>Draft Appendix to the Tax Transparency Code</i>	–	28 February 2018	

Upcoming meetings and events

27-30 June 2017	IPSASB meeting
3-4 July 2017	Public Sector Standard Setters Forum
6-7 July 2017	ASAF meeting

AASB 2017 Scheduled Board Meeting Dates

15 August AASB meeting

At the next Board meeting it is expected the Board will deal with the following items:

15 August 2017	Australian reporting framework
10-11 October 2017	Insurance contracts (NFP entities)
12-13 December 2017	Reduced disclosure requirements
	Public sector licences