



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 188
13 December 2017

Welcome to the AASB Action Alert

The AASB Board met in public on 12 December 2017. At the meeting the Board made key decisions in relation to:

- [Practice Statement – Making Materiality Judgements](#)
- [Revenue from Licences in the Public Sector](#)
- [Fair Value Measurement in the Public Sector](#)
- [RDR for AASB 16, AASB 1058 and AASB 1059](#)

The Board also discussed the following topics:

- [Presentation – Climate Risk Governance and Disclosure](#)
- [Amendments to AASB 9, AASB 10, AASB 128 and AASB 1048](#)
- [Financial Reporting Framework](#)
- [Revised Conceptual Framework and Implications for Special Purpose Reporting](#)

Practice Statement – Making Materiality Judgements

The Board decided to issue an Australian version of the IFRS Practice Statement *Making Materiality Judgements*. The Board added specific guidance for not-for-profit (NFP) entities, including extending the list of ‘primary users’ of financial statements and additional illustrative examples.

AASB Practice Statement 2 will be issued shortly.

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AASB Action Alert

Issue No: 188
13 December 2017

Revenue from Licences in the Public Sector

The Board decided that the Exposure Draft (ED) on accounting for revenue from licences issued by public sector licensors should:

- (a) include a specific matter for comment on whether the scope should be extended to for-profit public sector entities; and
- (b) exclude licensing arrangements involving variable consideration from the recognition exemptions for low-value licences.

The ED will be issued shortly, with comments due 31 March 2018. The AASB will conduct a number of outreach activities during the comment period.

Fair Value Measurement in the Public Sector

The Board decided issues previously flagged by public sector entities when applying AASB 13 *Fair Value Measurement* to be addressed by the Fair Value Measurement Project will be:

- restrictions on assets
- “Highest and best use” concept
- when to use the different valuation approaches
- implementation guidance for current replacement cost and why in practice there is little or no difference to depreciated replacement cost
- obsolescence
- disclosures
- interaction of AASB 13 with other Standards
- repurchased internally generated intangible assets.

The Board approved the proposed project timeline, but noted that FAQ guidance on the accounting treatment of peppercorn leases should be expedited. Developments in international fair value measurement projects will be monitored.

Presentation – Climate Risk Governance and Disclosure

Sarah Barker, Special Counsel, MinterEllison, presented to the Board on the significance of economic transition risks, financial risks and litigation risks in respect of climate change expectations and impacts.



Amendments to AASB 9, AASB 10, AASB 128 and AASB 1048

The Board made the following new Standards:

- (a) AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (effective for annual periods beginning on or after 1 January 2018, deferring the effective date of the amendments to AASB 10 and AASB 128 to annual periods beginning on or after 1 January 2022);
- (b) AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation* (effective for annual periods beginning on or after 1 January 2019);
- (c) AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2019); and
- (d) a new principal version of AASB 1048 *Interpretations of Standards* (effective for annual periods ending on or after 31 December 2017).

The Standards are based on the Ballot Draft versions, with minor amendments, and will be published shortly.

Financial Reporting Framework

The Board will provide the summary of the feedback from the outreach sessions held in November regarding the financial reporting framework for charities to the ACNC legislative review.

The Board approved the project plan for considering the financial reporting framework for public sector entities, with minor amendments. The Board also supported a field work proposal from an academic research group as the research may help inform decisions about the reporting framework.

RDR for AASB 16, AASB 1058 and AASB 1059

The Board decided to issue an ED proposing reduced disclosure requirements (RDR) for Tier 2 entities for AASB 16 *Leases* and AASB 1058 *Income of Not-for-Profit Entities*. However, the Board decided not to propose any disclosure concessions for AASB 1059 *Service Concession Arrangements: Grantors*. In making these decisions, the Board applied its current RDR decision-making framework. The framework proposed in ED 277 *Reduced Disclosure Requirements for Tier 2 Entities* has not yet been finalised.

The Exposure Draft will be issued shortly, with a comment period ending 31 March 2018.



Revised Conceptual Framework and Implications for Special Purpose Reporting

The Board decided to follow a staggered approach to adopting the revised IASB *Conceptual Framework for Financial Reporting* in Australia as follows:

- (a) stage 1 – applicable for publicly accountable for-profit private sector entities to maintain IFRS compliance; and
- (b) stage 2 – all other entities.

The Board decided to develop a consultation paper to address the difference between the definition of a 'reporting entity' in the forthcoming Conceptual Framework (which determines the boundary of what needs to be reported when an entity is required to report, e.g. consolidation) and the current definition in Australian Accounting Standards (which determines whether general purpose financial statements complying with Australian Accounting Standards is required).

As publicly accountable for-profit private sector entities are required by the Standards to prepare Tier 1 general purpose financial statements applying all accounting standards, the reporting entity concept is not relevant to them, and the revised Conceptual Framework can be made applicable to them in the first instance under stage 1 of the project.

In applying the Board's normal practice of transaction neutrality based on IFRS Standards, the Board noted that removing the Australian definition of reporting entity would remove the ability of an entity required by legislation to prepare financial statements in accordance with Australian Accounting Standards to prepare special purpose financial statements if it concludes that it is not a reporting entity as currently defined. The Board noted that its Australian financial reporting framework project is also designed to remove self-assessment of reporting requirements and ensure a level playing field. The Board agreed its preference is for the reporting framework project to remove the reporting entity concept through regulators requiring only those entities that should publicly lodge general purpose financial statements to prepare financial statements. However, the Board also discussed that legislative change may take a significant period of time and that to maintain the status quo, retaining the current Australian Conceptual Framework would be necessary.

The Board noted that having two conceptual frameworks would introduce complexity, and is not desirable for a long period of time. Accordingly, it agreed that in its consultation paper on the IASB Conceptual Framework it would highlight that an alternative to legislative change is the AASB removing SAC 1 which contains the current reporting entity definition, and amending AASB 1053 to make it clear that an entity that does not have public accountability that is required by legislation to prepare financial statements in accordance with Australian Accounting Standards must comply with a Tier 2 specified



AASB Action Alert

Issue No: 188
13 December 2017

accounting framework. The Board agreed that it would offer two Tier 2 options, being RDR and an option based on extending the current special purpose requirements in ASIC Regulatory Guide 85 to be based on using all recognition and measurement criteria with disclosures specified in AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and based on feedback from users and regulators to include AASB 15 *Revenue from Contracts with Customers*, AASB 124 *Related Party Disclosures* and possibly others, such as the liquidity disclosures in AASB 7 *Financial Instruments: Disclosures*.

The Board also decided to amend the definition of 'publicly accountable' to align with the revised definition per IFRS for SMEs when the revised Conceptual Framework is issued, which will clarify that publicly accountable entities are those who have or are in the process of listing equity or debt instruments, and those who hold assets in a fiduciary capacity.

The Board plans to develop additional paragraphs for the revised Conceptual Framework in respect of NFP entities in the private and public sectors and for-profit public sector entities.

Recently Approved Documents

Since last reported (11 October 2017), the Board has approved the following Standards, Exposure Drafts or other documents:

Date Approved	Document	Effective Date (Standards) Due Date for Submissions (EDs)
19 October 2017	Invitation to Comment ITC 37 <i>The AASB's Standard-Setting Frameworks for For-Profit Entities and Not-For-Profit Entities</i>	17 January 2018
14 November 2017	Invitation to Comment ITC 38 <i>IPSASB Exposure Draft Social Benefits</i>	15 January 2018
30 November 2017	Discussion Paper <i>Australian-specific Insurance Issues – Regulatory Disclosures and Public Sector Entities</i>	28 February 2018
12 December 2017	AASB 2017-5 <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>	1 January 2018
12 December 2017	AASB 2017-6 <i>Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation</i>	1 January 2019
12 December 2017	AASB 2017-7 <i>Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures</i>	1 January 2019



AASB Action Alert

Issue No: 188
13 December 2017

Date Approved	Document	Effective Date (Standards) Due Date for Submissions (EDs)
12 December 2017	AASB 1048 <i>Interpretation of Standards</i>	(ending) 31 December 2017
12 December 2017	AASB Practice Statement 2 <i>Making Materiality Judgements</i>	1 January 2018
12 December 2017	Exposure Draft ED 283 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors</i>	31 March 2018
12 December 2017	Exposure Draft ED 284 <i>Recent Standards – Reduced Disclosure Requirements</i>	31 March 2018

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
IPSASB	Exposure Draft <i>Financial Instruments</i>	–	–	31 December 2017
IASB	Exposure Draft <i>Accounting Policies and Accounting Estimates</i>	ED 281	closed	15 January 2018
IASB	Exposure Draft <i>Definition of Material</i>	ED 282	closed	15 January 2018
IPSASB	Consultation Paper <i>Accounting for Revenue and Non-Exchange Expenses</i>	–	–	15 January 2018
IPSASB	Invitation to Comment <i>IPSASB Exposure Draft Social Benefits</i>	ITC 38	15 January 2018	31 March 2018
AASB	Invitation to Comment <i>The AASB's Standard-Setting Frameworks for For-Profit Entities and Not-For-Profit Entities</i>	ITC 37	17 January 2018	–
AASB	Invitation to Comment <i>Draft Appendix to the Tax Transparency Code</i>	–	28 February 2018	–



AASB Action Alert

Issue No: 188
13 December 2017

Originating Organisation	Document	AASB No.	AASB Due Date	Other Organisation Due Date
AASB	Discussion Paper <i>Australian-specific Insurance Issues – Regulatory Disclosures and Public Sector Entities</i>	–	28 February 2018	–
AASB	Exposure Draft ED 283 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors</i> [forthcoming]	ED 283	31 March 2018	–
AASB	Exposure Draft ED 284 <i>Recent Standards – Reduced Disclosure Requirements</i> [forthcoming]	ED 284	31 March 2018	–

Upcoming meetings and events

14 December 2017	NZASB Meeting Wellington
31 January 2018 – 1 February 2018	AOSSG Meeting Hong Kong
9 February 2018	Webinar – Australian Reporting Framework – Charities

AASB 2018 Scheduled Board Meeting Dates

14 February 2018 AASB meeting

At the next Board meeting, it is expected the Board will address the following items:

14 February 2018	Australian financial reporting framework
23 March 2018	Conceptual framework
10 – 11 May 2018	
14 – 15 June 2018	
3 – 5 September 2018	
13 – 14 November 2018	