



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 190
26 March 2018

Welcome to the AASB Action Alert

The AASB Board met in public on 23 March 2018. At the meeting the Board made key decisions in relation to:

[Australian Financial Reporting Framework](#)

[Social Benefits](#)

[Amendments to Standards](#)

The Board also discussed the following topics:

[ASIC Update](#)

[Accounting Standards Board of Japan \(ASBJ\) Update](#)

[Key Management Remuneration Reporting – Literature Review](#)

[Mine Restoration Provisions](#)

Australian Financial Reporting Framework

The Board decided that the range of options for improving the financial reporting framework applicable to public sector entities for inclusion in its forthcoming Discussion Paper should include another option that would not require all local governments to prepare Tier 1 general purpose financial statements.

The Board also reviewed a near-final draft Research Report that sets out the current financial reporting requirements for public sector entities in Australia and other major jurisdictions overseas. The Research Report will provide context for the Discussion Paper and will be published shortly.

Contact us: Australian Accounting Standards Board, PO Box 204, Collins Street West, Victoria 8007
Phone (03) 9617 7600 **Email** standard@asb.gov.au **Website** www.asb.gov.au

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Social Benefits

The Board approved a submission to the IPSASB on IPSASB Exposure Draft 63 *Social Benefits*. The Board generally supports the Alternative View presented in ED 63 (which would reflect a liability when the obligation arises), rather than the Obligating Event approach proposed in the ED (which would reflect a liability only when all eligibility criteria, including staying alive, are met). The Board is of the view that the basis for the liability as set out in ED 63 is too narrow. However, the Board does not consider that recognition of the full conceptual liability is appropriate, as it is not likely to constitute useful information. The AASB acknowledges practical concerns in recognising a potentially very large liability, without also recognising the right to tax as an asset that would contribute to funding the liability.

As a result, the Board's submission will put forward a range of possibilities for the recognition and measurement of both the liability and the related asset. This approach is intended to suggest a pragmatic solution that could provide useful information in the financial statements about the effects of social benefit schemes. The Board also supports requiring a mandatory long-term financial sustainability report to be presented with the financial statements.

Amendments to Standards

The Board made AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*, effective for annual reporting periods beginning on or after 1 January 2019.

The amendments will affect entities with defined benefit plans that modify plan requirements, and will clarify how to measure the net defined benefit liability (asset) and related amounts, such as the current service cost, when the modification occurs during a reporting period.

ASIC Update

John Price, Commissioner, and Doug Niven, Senior Executive Leader – Accountants and Auditors, updated the Board on the ASIC's regulatory activities related to financial reporting, including the findings from the ASIC surveillance program regarding accounting Standards that might need modification. They noted that requirements in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* regarding disclosure of the impact of new Standards are not effective in practice, and that disclosures regarding the impact of Standards becoming effective for most entities at 1 July 2018 (AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*) are still not being made, despite current implementation efforts. The Board noted ASIC's recommendation that requiring disclosure of the stage of implementation of new Standards might elicit more useful information for users, and will discuss



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this with the IASB in relation to the Principles of Disclosure project. The ASIC and the Board will consider how to promote jointly the requirements of AASB 108.

The ASIC representatives and the Board also discussed the implications of the forthcoming revised Conceptual Framework for special purpose financial statements.

Accounting Standards Board of Japan (ASBJ) Update

The Vice Chairman of the ASBJ, Atsushi Kogasaka, and Board member Yasunobu Kawanishi presented to the Board on the ASBJ's activities and Japanese accounting standards, including the four financial reporting frameworks available to Japanese companies. Topics discussed included IFRS implementation issues (particularly impairment testing), virtual currencies, intangibles (particularly goodwill), business combinations under common control, equity method of accounting and other comprehensive income. The two Boards will continue to liaise and will seek to collaborate on key projects.

Key Management Remuneration Reporting – Literature Review

Warrick van Zyl (University of Western Australia) and Marvin Wee (Australian National University) updated the Board on their literature review relating to remuneration reporting. They noted that the literature emphasises the importance of explaining the links between firm strategy and executive remuneration. It also suggests that the reasoning behind the choice of remuneration types and performance metrics is of interest to users, and remuneration reporting requirements could address this.

Mine Restoration Provisions

The Board discussed disclosure requirements for provisions, and took the view that additional disclosure relating to the measurement methods for provisions such as restoration provisions would improve the usefulness of financial statements. Board members agreed that the matter should be raised with the IASB for consideration as part of the Principles of Disclosure project.

Recently Approved Documents

Since last reported (14 February 2018), the Board has approved the following Standards, Exposure Drafts or other documents:



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Date Approved	Document	Effective Date (Standards) Due Date for Submissions (EDs)
23 March 2018	AASB 2018-2 <i>Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement</i>	1 January 2019

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	Invitation to Comment <i>Request for Comment on IPSASB Exposure Draft Social Benefits</i>	ITC 38	closed	31 March 2018
AASB	Exposure Draft ED 283 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors</i>	ED 283	31 March 2018	–
AASB	Exposure Draft ED 284 <i>Recent Standards – Reduced Disclosure Requirements</i>	ED 284	31 March 2018	–
IPSASB	Consultation Paper <i>Proposed Strategy and Work Plan 2019–2023</i>	–	–	15 June 2018
IPSASB	Exposure Draft 64 <i>Leases</i>	–	–	30 June 2018

AASB 2018 Scheduled Board Meeting Dates	10 – 11 May 2018 AASB meeting
	At the next Board meeting, it is expected the Board will address the following items:
10 – 11 May 2018	Implementation guidance for NFP public sector licensors
14 – 15 June 2018	Scope of ‘public accountability’
3 – 5 September 2018	Australian financial reporting framework – relevance of subsidiaries’ individual financial statements
13 – 14 November 2018	Reduced disclosure requirements – recent Standards