



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 192

18 June 2018

Welcome to the AASB Action Alert

The AASB Board met in public on 14 June 2018. At the meeting the Board made key decisions in relation to:

[Implementation Guidance for NFP Public Sector Licensors](#)

[Reduced Disclosure Requirements – Recent Standards](#)

[Consolidated and Separate/Individual Financial Statements](#)

[IASB ED/2018/1 Accounting Policy Changes](#)

The Board also discussed the following topics:

[Revised Conceptual Framework – Reporting Entity/Special Purpose Reporting](#)

[Impairment of Goodwill](#)

[EC Consultation Document on Public Reporting by Companies](#)

Implementation Guidance for NFP Public Sector Licensors

The Board considered the submissions received from stakeholders in response to Exposure Draft ED 283 *Amendments to Australian Accounting Standards – Implementation Guidance for Not-for-Profit Public Sector Licensors* and made the following decisions:

Apply AASB 15 to non-intellectual property licences

- (a) include a flowchart and expand the examples using the principles of AASB 15 *Revenue from Contracts with Customers* to illustrate different licensor activities, such as:
 - (i) administration and activities to maintain exclusivity of the contract, which would not be performance obligations;

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- (ii) ongoing activities that support or maintain the value of the licence; and
- (iii) activities that are distinct services to the licensee, separate from the granting of the licence (for example, maintenance activities performed by the licensor that the licensee would otherwise engage a third party to do);

Licences versus taxes

- (b) the definition of a licence in the Australian Government Finance Statistics (GFS) Manual will not be used – the Board noted that:
 - (i) the GFS definition may be difficult to apply in practice as the discerning factor is whether the revenue received is proportionate to the cost of a licensor's obligations; and
 - (ii) licences are different from taxes in substance and should be accounted for in accordance with AASB 15;

Recognition exemptions for short-term and low-value licences

- (c) define 'short-term licences' and include guidance regarding licence renewals in line with the approach to short-term leases in AASB 16 *Leases*;
- (d) not to define 'low-value licences', but to note in the Basis for Conclusions the same principle as described by the IASB for low-value leases in the Basis for Conclusions to IFRS 16 *Leases*;

IP licences issued by public sector licensors

- (e) research whether there are examples of intellectual property (IP) licences that are unique to the public sector and, if so, consider whether examples should be included in AASB 15;

Examples of whether a licence is distinct from other goods or services in the arrangement

- (f) move the reference to take-or-pay arrangements from the guidance paragraphs to the Basis for Conclusions and include an explanation of these arrangements;

Non-IP licences issued by for-profit public sector entities

- (g) not to expand the scope of the implementation guidance to include for-profit public sector licensors;

Licences involving non-identified assets of the licensor

- (h) apply the principles of AASB 15 to non-IP licences involving non-identified assets of not-for-profit public sector licensors;



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Variable consideration

- (i) apply the guidance for sales-based or usage-based consideration in AASB 15 (paragraphs B63-B63B) to non-IP licences – subject to further outreach on the magnitude and prevalence of such arrangements;

Statutory arrangements that would otherwise be leases

- (j) undertake further outreach and analysis to consider whether the scope of AASB 16 should be expanded to include leases created by statutory arrangements; and

Additional guidance on terms used

- (k) not to include further guidance or definitions of the terms ‘right to access’, ‘right to use’ or ‘right to perform’, as these are explained sufficiently in AASB 15 and the proposed guidance.

A revised draft of the implementation guidance for NFP public sector licensors (a new appendix to AASB 15) will now be prepared for further consideration by the Board.

Reduced Disclosure Requirements – Recent Standards

The Board considered the responses received on Exposure Draft ED 284 *Reduced Disclosure Requirements – Recent Standards* and confirmed the RDR amendments as proposed, except for some changes for better consistency with existing RDR for other Standards. In particular:

- (a) the disclosures set out in paragraph 53(h) of AASB 16 *Leases* and paragraphs 34, 36 and C7(b) of AASB 1058 *Income of Not-for-Profit Entities* should be retained for Tier 2 entities; and
- (b) the disclosure set out in paragraph 33 of AASB 1058 should be reduced for Tier 2 entities.

The Board confirmed that there would not be any reduced disclosure requirements for AASB 1059 *Service Concession Arrangements: Grantors*.

As reduced disclosure requirements are developed jointly with the New Zealand Accounting Standards Board, the AASB will await the views of the NZASB at its meeting later in June before preparing an amending Standard.

Consolidated and Separate/Individual Financial Statements

The Board discussed the need for parent and subsidiary financial statements in the light of consolidated financial statements, based on an initial draft of a staff Research Report. The Board decided that further outreach to cover investors and preparers, in addition to lenders, should be carried out in relation to the



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for-profit private sector. The Board requested staff to assess the relevance of the research findings for the public sector and the not-for-profit private sector.

The Board requested staff to prepare a separate project plan to determine if international outreach is necessary regarding whether the disclosure requirements for consolidated financial statements need to be extended to provide users with information about the risks arising from a group's structure, such as the solvency of group entities or dividend traps.

IASB ED/2018/1 Accounting Policy Changes

The Board suggested a number of clarifications to a draft submission to the IASB in response to its Exposure Draft ED/2018/1 *Accounting Policy Changes*. The ED proposes a lower practicability threshold for voluntary accounting policy changes resulting from IFRS Interpretations Committee agenda decisions, in comparison with other voluntary changes. Submissions from stakeholders on AASB ED 285, which incorporates the IASB ED, are requested by 27 June, after which the AASB's submission will be finalised.

Revised Conceptual Framework – Reporting Entity/Special Purpose Reporting

The Board decided to issue a high-level summary of its recent briefing sessions on the Consultation Paper (Invitation to Comment ITC 39) *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems*.

Outreach is continuing, with the Board particularly interested in stakeholders' views on what transitional relief might be helpful and the potential implementation costs where entities are affected. See the Staff FAQs under Hot Topics on the AASB website for further information.

Impairment of Goodwill

Based on outreach feedback the Board considered possible narrow-scope amendments to IAS 36 *Impairment of Assets* that might be raised with the IASB, pending further research, such as:

- (a) a single, discounted cash flow methodology for both value in use (VIU) and fair value less costs of disposal (FVLCD), including cash flows from future restructuring and enhancements, but with management assumptions for VIU and market-participant assumptions for FVLCD; and
- (b) disclosure of the post-tax discount rate rather than the pre-tax discount rate.

The Board also requested further research into recognising goodwill impairment on a more timely basis, considering feedback from analysts and investors in relation to the methods they adopt and the level at

which goodwill is allocated for impairment testing purposes. Additional disclosure requirements for the method used to determine VIU or FVLCD should also be considered, such as a sensitivity analysis for all impairment tests and look-back analysis to assess forecasting accuracy.

EC Consultation Document on Public Reporting by Companies

The European Commission is consulting on whether the European Union's public financial reporting framework, including a multi-layered endorsement approach to IFRS Standards, is fit for purpose. The Board decided to make a submission noting that it would contemplate non-compliance in Australia with IFRS Standards for publicly accountable for-profit private sector entities only in highly unlikely and exceptional circumstances, as set out in *The AASB's For-Profit Entity Standard-Setting Framework*.

The Board encourages Australian entities listed in Europe to respond to the EC consultation.

Recently Approved Documents

Since last reported (14 May 2018), the Board has not approved any Standards, Exposure Drafts or other documents.

Documents Open for Comment

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

Originating Organisation	Document	AASB No.	AASB Due Date	Other Organisation Due Date
IASB	Exposure Draft ED/2018/1 <i>Accounting Policy Changes</i>	ED 285	27 June 2018	27 July 2018
IPSASB	Exposure Draft 64 <i>Leases</i>	–	–	30 June 2018
AASB	Invitation to Comment ITC 39 <i>Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems</i>	ITC 39	9 August 2018 (Phase 1) 9 November 2018 (Phase 2)	–



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AASB 2018 Scheduled Board Meeting Dates	September 2018 AASB meeting At the next Board meeting, it is expected the Board will address the following items:
3 – 5 September 2018	Implementation guidance for NFP public sector licensors
13 – 14 November 2018	Applying the IASB's revised Conceptual Framework in Australia
	Project plans for upcoming research activities
	Insurance contracts (public sector amendments)