



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 193
15 August 2018

Welcome to the AASB Action Alert

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

[Revenue from Licences Issued by NFP Public Sector Licensors](#)

The Board also discussed the following topics

[The impact of the AASB's revised Conceptual Framework proposals on not-for-profit private sector entities](#)

Revenue from Licences Issued by NFP Public Sector Licensors

The Board directed staff to present the Board with a pre-ballot draft Standard on *Revenue from Licences Issued by NFP Public Sector Licensors* reflecting the following decisions:

- (a) to provide guidance clarifying that a licensor's activities to maintain exclusivity of a licence or to ensure the licensee continues to meet eligibility criteria of the arrangement are not performance obligations, as these activities do not transfer a good or service to the licensee that is additional to the licence itself, in accordance with the general principles of AASB 15 *Revenue from Contracts with Customers*;
- (b) not to provide guidance on how an entity should apply AASB 15 paragraph 35 to determine whether the performance obligation of issuing a right to perform is satisfied at a point in time or over time. In making this decision, the Board observed that:
 - (i) the principles and existing guidance in AASB 15 would be sufficient for NFP public sector licensors to apply the Standard;
 - (ii) the magnitude of licences issued by NFP public sector entities did not appear to constitute a significant portion of public sector revenue for the Board to develop public sector

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- specific guidance on AASB 15 that may have unintended implications for private sector entities applying AASB 15; and
- (iii) the facts and circumstances of NFP public sector licences differ significantly, and providing specific guidance on this aspect of AASB 15 may lead licensors to draw conclusions without considering their specific facts and circumstances sufficiently; and
 - (c) to revise Example 8 of ED 283 to illustrate the application of the revised guidance outlined in (a);
 - (d) to provide an additional example illustrating how an entity identifies an additional, distinct performance obligation in an arrangement that contains a non-IP licence (a right to perform), in accordance with AASB 15 paragraphs 26-30;
 - (e) to retain the guidance set out in ED 283 paragraph G3 to identify a licence from a tax unamended from the decisions made in June 2018; and
 - (f) where there is evidence of similar activities conducted by another entity being taxed, that this would be an additional criterion to rebut the presumption that, where an arrangement has a dual purpose of granting a licence and imposing a tax, a not-for-profit public sector entity will allocate the transaction price wholly to the promise to grant a licence.

The Board decided that a fatal-flaw review version need not be issued in light of the Board deciding not to make any major changes to the proposals in ED 283.

The impact of the AASB's revised Conceptual Framework proposals on not-for-profit private sector entities

The Board decided to issue a frequently asked question (FAQ) to help charities, companies limited by guarantee, incorporated associations, cooperatives and other not-for-profit private sector (NFP) entities understand the impact of the proposals in AASB's [Consultation Paper ITC 39](#).

The FAQ will outline the Board's expectation that it will, in consultation with the Australian Charities and Not-for-profits Commission's (ACNC) and state and territory regulators, explore three tiers of reporting for NFP entities; each with consistent, comparable and transparent reporting requirements – dependent on recommendations from the recent ACNC legislative review.

It will explain how special purpose financial statements (SPFS) are expected to be **replaced** for NFP entities with reporting requirements that are proportionate, fair and balance user needs with costs to preparers as outlined below:



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- (a) Bottom tier – most likely be cash accounting, with a statement of resources and commitments (for ACNC NFP's voluntary basis only, supporting completion of the Annual Information Statement);
- (b) Middle tier either Tier 2 General Purpose Financial Statements (GPFS) [full recognition and measurement with simplified disclosure] or a modified accrual framework [simplified recognition, measurement and disclosure]; and
- (c) Top tier –either Tier 1 [full recognition, measurement and disclosure] or Tier 2 GPFS framework (depending on where the middle tier lands).

The Board also decided to explore the possibility of putting NFP thresholds and requirements into the existing AASB 1053 *Application of Tiers of Australian Accounting Standards*. This would ensure that all NFPs required by legislation or otherwise to prepare financial statements in accordance with Australian Accounting Standards would prepare comparable, consistent and transparent financial statements using the Bottom, Middle or Top tiering requirements.

The FAQ will also explain that the Board will perform extensive consultation on a broader range of proposals for NFPs compared to what was contained in ITC 39. In addition to looking at the three tiers of reporting, the Board will be looking at service performance reporting (also known as impact reporting), remuneration reporting, fundraising and related party disclosures. Transitional relief for NFP entities would also be explored at that time.

The Board noted that NFP entities could still assist with the proposals in ITC 39 by providing feedback on whether they prefer the existing Tier 2 GPFS framework – Reduced Disclosure Requirements or the newly proposed Tier 2 GPFS framework – Specified Disclosure Requirements for the Top or Middle tiers. This will help to inform the AASB which option they should pursue in further consultation.

Recently Approved Documents

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

Date approved	Document	Effective Date (Standards/Int'ns) Due Date for Submissions (EDs)
7 August 2018	Invitation to Comment ITC 41 <i>The AASB's Approach to International Public Sector Accounting Standards</i>	30 November 2018



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Date approved	Document	Effective Date (Standards/Int'ns) Due Date for Submissions (EDs)
10 August 2018	AASB 2018-3 <i>Amendments to Australian Accounting Standards – Reduced Disclosure Requirements</i>	1 January 2019

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
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 November 2018 (Phase 2)	–
IASB	Invitation to Comment ITC 40 <i>Financial Instruments with Characteristics of Equity</i>	ITC 40	26 November 2018	7 January 2019
AASB	Invitation to Comment ITC 41 <i>The AASB's Approach to International Public Sector Accounting Standards</i>	ITC 41	30 November 2018	–

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:
4 – 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)