



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 194
5 September 2018

Welcome to the AASB Action Alert

The AASB Board met in public on 4 September 2018. At the meeting the Board made key decisions in relation to:

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

[Conceptual Framework – Securitisation Funds and Public Accountability](#)

[Conceptual Framework – Consequential Amendments](#)

[Effective Date of AASB 1059 Service Concession Arrangements: Grantors](#)

The Board also discussed the following topics

[AASB 17 Insurance Contracts for the Public Sector](#)

[Financial Instruments with Characteristics of Equity](#)

[Research Activities – CF and Extractive Industries](#)

[Climate-related Disclosures](#)

Revenue from Licences Issued by NFP Public Sector Licensors

The Board made the Standard AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors*, for application to annual periods beginning on or after 1 January 2019. The Standard will be issued shortly.

The Standard is based on the Pre-Ballot Draft version, with amendments as follows:

- (a) options to extend the term of a licence are to be disregarded in determining whether the licence is a short-term licence;

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- (b) removal of illustrations of a licensor applying the recognition and measurement principles of AASB 15 *Revenue from Contracts with Customers* to non-IP licences. The Board decided that illustrating these aspects may lead to licensors reaching conclusions without sufficient consideration of their own specific facts and circumstances;
- (c) clarifying the illustrative examples regarding identifying distinct goods and services per paragraph 29 of AASB 15; and
- (d) clarifying in the Basis for Conclusions:
 - (i) the Board's rationale for supporting the principles of AASB 15 for casino and gaming licences; and
 - (ii) although the classification between licences and taxes might differ under GFS requirements, the timing of income recognition would likely be aligned.

The Board also noted a letter from the Department of Treasury and Finance, Victoria. The Board considered the issues set out in the letter and concluded that they had been appropriately considered during the Board's deliberations in developing the Standard.

Conceptual Framework – Securitisation Funds and Public Accountability

The Board decided in relation to comments received on a key issue identified during the AASB's consultation on the short-term approach (Phase 1) of Invitation to Comment ITC 39 *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems*:

- (a) the Board should not assess whether listed, unquoted securitisation trusts are publicly accountable as that would require interpretation of specific facts and circumstances and such an assessment would not meet the due process requirements in the AASB's *Interpretations and Improvements Model*;
- (b) the issue is not significant enough to delay the implementation of Phase 1 (as there are only 126 of these trusts with debt listings on the ASX);
- (c) transitional relief is not required for these trusts as the requirement to prepare financial statements in accordance with Australian Accounting Standards is determined by their Trust Deeds, which can be amended by the Trustees. Many of the 126 trusts affected will be wound up prior to the effective date of Phase 1;
- (d) to consider, as a separate project, (i) whether the IFRS for SMEs Implementation Group (SMEIG) guidance on trading in a public market should accompany the public accountability definition in



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AASB 1053 *Application of Tiers of Australian Accounting Standards*, and (ii) which types of entities should be deemed to be publicly accountable; and

- (e) further clarification of the public accountability definition should not delay the Board's consideration of Phase 1 issues.

Conceptual Framework – Consequential Amendments

The Board decided that the most appropriate way to facilitate the Board's two-phase approach to applying the IASB's *Conceptual Framework for Financial Reporting* (RCF) as proposed in ITC 39 *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems* would be:

- (a) to have two conceptual frameworks until Phase 2 of the project is completed:
- (i) the RCF would be applied by for-profit entities that have public accountability that are required to comply with Australian Accounting Standards and other for-profit entities voluntarily claiming compliance with International Financial Reporting Standards (IFRS) (FPPAE); and
 - (ii) the *Framework for the Preparation and Presentation of Financial Statements* (existing Conceptual Framework) would remain applicable to all other entities; and
- (b) to have one set of Australian Accounting Standards, including Interpretations (AAS):
- (i) the basic text of all AAS would be updated to reflect the IASB's amendments consequential to the RCF and would apply to FPPAE. This will ensure that compliance with AAS by these entities continues to result in compliance with IFRS Standards;
 - (ii) AusCF paragraphs would be included in AAS in order to retain the existing AAS requirements that relate to the existing Conceptual Framework when the RCF becomes applicable in Australia. AusCF paragraphs would apply only to entities applying the existing CF; and
 - (iii) AusCF paragraphs would also be used to direct entities applying the existing CF to AASB 1053 for the definition of the term 'reporting entity'.

New Proposals to be Developed for NFP Entities

After hearing concerns from not-for-profit (NFP) entities about the AASB's two-phase approach as proposed in ITC 39, and considering the discussions with the ACNC and other State and Territory regulators regarding recommendations in the ACNC [Legislative Review report](#), the Board decided that



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the proposals in ITC 39 will apply only to for-profit entities. The Board will continue working with the ACNC and other NFP regulators to develop a separate consultation document with targeted proposals for NFP entities in due course.

As a result, the focus of the AASB's September roundtable sessions on Phase 2 of ITC 39 will be to obtain feedback in relation to for-profit private sector entities.

While the Board's aim to replace Special Purpose Financial Statements with a simple, comparable, proportionate, transparent financial reporting framework remains unchanged, the Board recognises the journey for NFP private sector entities will be very different to that of the for-profit private sector. In this regard, the Board will continue to extensively research optimal outcomes, collaborate with regulators, and regularly consult with NFP entities to ensure a simple and fair framework and a smooth transition for NFP private sector entities. In particular, the impact of removing special purpose financial statements is more significant, there are more options, and a longer timeframe that will need to be considered for the NFP private sector.

The removal of special purpose financial statements is expected to have little impact in the public sector. The AASB's preference is to pursue financial reporting reform in the public sector via consultation based on the AASB Discussion Paper *Improving Financial Reporting for Australian Public Sector*.

Effective Date of AASB 1059 Service Concession Arrangements: Grantors

The Board decided to issue a consultation document proposing to amend AASB 1059 to defer the effective date by one year to annual reporting periods beginning on or after 1 January 2020. A short comment period of 30 days is anticipated. The Board is particularly interested in the views of users of public sector grantors' financial statements.

AASB 17 Insurance Contracts for the Public Sector

The Board considered a summary of constituent feedback on the Discussion Paper *Australian-specific Insurance Issues – Regulatory Disclosures and Public Sector Entities* and decided to carry out the following activities:

- (a) conduct further field testing of the 'insurance-like' criteria;
- (b) based on the field testing, consider whether clarifications of the 'insurance-like' criteria are required, particularly the 'funding' criteria;
- (c) consider the assumptions used in determining discount rates for public sector entities; and
- (d) consider the assumptions used in determining risk margins for public sector entities.



Financial Instruments with Characteristics of Equity

The Board decided to develop a submission to the IASB's Discussion Paper DP/2018/1 *Financial Instruments with Characteristics of Equity*, focusing on the overall usefulness of the DP proposals in addressing key practice issues and the areas of particular interest to Australian stakeholders, being:

- (a) different classification outcomes arising from applying the IASB's preferred approach in the DP;
- (b) retaining the puttable instruments exception;
- (c) the impact on Co-operative and Mutual Enterprises;
- (d) the proposal to remove the foreign currency rights issue exception; and
- (e) NCI puts and anti-dilutive provisions.

The Board will consider a draft submission to the IASB at its next meeting, and noted that IASB Vice Chair, Sue Lloyd, will be conducting joint targeted outreach with the AASB in October.

Research Activities – CF and Extractive Industries

The Board was provided with updates on the research work related to the Conceptual Framework Project and an upcoming project on Extractive Industries.

Climate-related Disclosures

The Board decided to develop a publication in collaboration with the Auditing and Assurance Standards Board (AUASB) that will use the example of climate change to illustrate how the guidance in AASB Practice Statement 2 *Making Materiality Judgements* may be applied when considering current requirements in accounting standards, particularly regarding areas of key risk to an entity. The guidance will consider how entities in sectors that are likely to be impacted by climate change (e.g. the energy, industrial, mining, agriculture, superannuation and investment sectors) should consider the current views of investors on the importance of climate change matters in assessing materiality and the consequential impact on disclosures related to climate risk in financial statements.

Recently Approved Documents

Since last reported (15 August 2018), the Board has approved the following Standards, Exposure Drafts or other documents.



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Date approved	Document	Effective Date (Standards/Int'ns) Due Date for Submissions (EDs)
4 September 2018	AASB 2018-4 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors</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	November 2018 AASB meeting
13 November 2018	At the next Board meeting, it is expected the Board will address the following items:
	Applying the IASB's revised Conceptual Framework in Australia
	Project plans for upcoming research activities
	Financial instruments with characteristics of equity