



# AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 200  
22 November 2019

## Welcome to the AASB Action Alert

The AASB Board met in public in Melbourne on 21 November 2019. At the meeting, the Board made key decisions in relation to:

### [Disclosure of Compliance with R&M in SPFS of Not-for-Profit Private Sector Entities](#)

### [AASB 15 – Deferral for Entities with Research Grants and December Year-End](#)

### [Fair Value Measurement for Not-for-Profit Entities](#)

The Board also discussed the following topics:

### [Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia](#)

### [ED 291 Not-for-Profit Entity Definition](#)

### [ED 297 Removal of SPFS for Certain For-Profit Entities – Feedback](#)

### [ED 295 GPFS Simplified Disclosures for FP and NFP Tier 2 Entities – Feedback](#)

### [RDR Disclosures for AASB 2019-3 Interest Rate Benchmark Reform](#)

### [Project Plans and Work Program](#)

### [Other Business](#)

## Disclosure of Compliance with R&M in SPFS of Not-for-Profit Private Sector Entities

The Board finalised requirements for not-for-profit private sector entities preparing and lodging special purpose financial statements (SPFS) with ASIC and ACNC – and other entities complying with AASB 1054 – to disclose information regarding compliance with the recognition and measurement (R&M) requirements in Australian Accounting Standards by making AASB 2019-4 *Amendments to*

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*Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements.*

AASB 2019-4 applies to annual reporting periods ending on or after **30 June 2020**. The Standard will be issued shortly.

### **AASB 15 – Deferral for Entities with Research Grants and December Year-End**

The Board decided to defer the application of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* by not-for-profit entities to research grants from periods beginning on or after 1 January 2019 to periods beginning on or after 1 July 2019, with earlier application permitted, to provide further education to address the continuing divergent views on revenue recognition for research grants.

The Board decided to proceed with the amendments to the illustrative examples (Examples 4A and 4B) proposed in the Fatal-Flaw Review draft, and to add Example 4D (previously Scenario 2A in the Staff FAQs) to illustrate additional contract features to help entities in implementing AASB 15.

Board members will vote out of session on a revised version of the amending Standard. Further education efforts through a webinar and revised Staff FAQs will be provided.

### **Fair Value Measurement for Not-for-Profit Entities**

The Board decided to include the following proposals in the Exposure Draft that will propose amendments to AASB 13 *Fair Value Measurement* for not-for-profit entities:

- (a) extend the scope of the ED to include not-for-profit private sector entities;
- (b) consistent with the Conceptual Framework, assets should be measured at a value faithfully representing their service potential;
- (c) the fair value of a restricted,<sup>1</sup> non-financial asset that is held for its service potential, in the absence of observable market evidence, should be measured as its current replacement cost without a discount for the effect of the restriction(s). The Board noted that this deemed fair value might not be compliant with IFRS 13. Non-financial assets include right-of-use (ROU) assets under 'concessionary leases' (ie leases with significantly below-market terms and conditions principally to enable the entity to further its objectives);

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<sup>1</sup> A restricted asset is subject to a legal restriction on the use of the asset or the prices that may be charged for other parties to use the asset.



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- (d) the concept of 'financially feasible' in paragraph 28(c) of AASB 13 should not apply when identifying the highest and best use of non-financial assets held for their service potential and measured at current replacement cost;
- (e) a rebuttable presumption that the fair value of ROU assets under 'concessionary leases' can be measured reliably, based on the same fundamental principles for fair valuing owned assets;
- (f) the current replacement cost of land forming part of a facility held for its service potential should be measured by assuming it is replaced in its present location, even if it would be feasible to relocate the facility to a site with cheaper land; and
- (g) retrospective application, with the mandatory application date two years after issuing the amendments and permitting early application.

The Board also anticipates a specific matter for comment regarding the benefits and costs of requiring different fair value measurements of the same asset at different levels of the group in some circumstances. The Board will consider a revised draft Exposure Draft at its next meeting.

### Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

Disclosure of the effect of new IFRS Standards that have not yet been issued by the AASB as Australian Accounting Standards will now be required by AASB 1054, to ensure IFRS compliance for for-profit publicly accountable entities, as the Board made AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*. The Standard applies to annual periods beginning on or after 1 January 2020. The Standard will be issued shortly.

### ED 291 Not-for-Profit Entity Definition

The Board noted stakeholders' support for the overall direction of the proposals in ED 291 *Not-for-Profit Entity Definition and Guidance*. Further analysis of the submissions will be considered at the Board's next meeting, including the following matters:

- cost/benefit considerations;
- clarification of certain terms, implementation guidance and illustrative examples;
- the effective date of the proposed new definition and potential alignment with the Not-for-profit Financial Reporting Framework project, with early adoption permitted; and
- potential transition relief.

### ED 297 Removal of SPFS for Certain For-Profit Entities – Feedback

The Board noted approximately 90% of participants supported the proposals and the effective date of 30 June 2020 in ED 297 *Removal of Special Purpose Financial Statements for Certain For-Profit Private*



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*Sector Entities*. The majority of the participants in the roundtables and webinar held to date also agreed with the proposed scope and the scope exemption for entities with non-legislative requirements to prepare financial statements.

The following views were expressed by multiple participants:

- the transitional relief from restating the comparative information should apply to all entities, whether or not the current SPFS comply with the recognition and measurement requirements of Australian Accounting Standards;
- due to software capabilities, the statement of financial position in the year of transition should include the closing balances and the comparative unadjusted balances as disclosed in the most recent SPFS. The adjusted opening balances would be disclosed in the notes;
- the need to educate both accountants and lawyers that any change in the constituting document of an entity with non-legislative requirements may trigger a change in financial reporting requirements; and
- mixed views in respect of whether Australian Financial Services Licensees and grandfathered entities should be in the scope of the Standard.

The proposals in the ED and the feedback will be further considered by the Board at the next meeting.

### **ED 295 GPFS Simplified Disclosures for FP and NFP Tier 2 Entities – Feedback**

The Board noted approximately 90% of participants agreed that the proposed Simplified Disclosure Standard should replace Reduced Disclosure Requirements (RDR) and preferred a stand-alone Standard. Although all participants in the roundtables and the webinar held to date welcomed the reduction in disclosures proposed in ED 295 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*, there were mixed views on the following issues:

- the proposed option not to include a statement of changes in equity;
- the proposed removal of a mandatory reconciliation between income tax expense and the product of accounting profit multiplied by the applicable tax rate; and
- whether there should be a requirement to disclose a maturity analysis for all financial liabilities or only for lease liabilities.

The majority of the participants further thought that additional disclosures above and beyond those required under full IFRS should be removed.



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The proposals in the ED and the feedback will be further considered by the Board at the next meeting.

### RDR disclosures for AASB 2019-3 Interest Rate Benchmark Reform

The Board decided not to provide any RDR concessions for Tier 2 entities in respect of the additional disclosure requirements in AASB 7 *Financial Instruments: Disclosures* introduced by AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* (October 2019). The Board concluded that the information needed for the additional disclosures is expected to be readily available to an entity that will apply the amendments in AASB 2019-3 to AASB 9 *Financial Instruments* and AASB 139 *Financial Instruments: Recognition and Measurement*.

### Project Plans and Work Program

The Board approved the project plans for the following new and existing projects:

- the IASB's forthcoming Exposure Draft on primary financial statements, including domestic outreach to inform a submission to the IASB;
- intangible assets, to identify the information users need and whether the information currently provided by entities in their financial statements in respect of internally generated intangible assets is sufficient;
- management commentary, including benchmarking reports comparing requirements in other jurisdictions across all sectors;
- remuneration reporting, including a benchmarking report comparing requirements in other jurisdictions across all sectors;
- not-for-profit private sector financial reporting framework; and
- public sector financial reporting framework.

### Other Business

The Board decided to submit the following topics to the IASB for consideration in their agenda consultation:

- review of intangible assets reporting;
- factoring and reverse factoring disclosure guidance;
- impairment of assets;
- guidance for sustainability reporting and reporting of other non-financial information; and
- review of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.



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### Recently Approved Documents

Since last reported (26 September), 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)
10 October 2019	Fatal-Flaw Review Draft: <i>Amendments to Australian Illustrative Examples for Not-for-Profit Entities accompanying AASB 15</i>	8 November 2019
10 October 2019	AASB 2019-2 <i>Amendments to Australian Accounting Standards – Implementation of AASB 1059</i>	1 January 2020
17 October 2019	AASB 2019-3 <i>Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform</i>	1 January 2020
18 October 2019	Fatal-Flaw Review Draft: <i>Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia</i>	31 October 2019
31 October 2019	Fatal-Flaw Review Draft: <i>Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases</i>	29 November 2019
7 November 2019	Fatal-Flaw Review Draft: <i>Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/ GFS Reconciliations</i>	6 December 2019
21 November 2019	AASB 2019-4 <i>Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements</i>	(ending) 30 June 2020
21 November 2019	AASB 2019-5 <i>Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia</i>	1 January 2020

### 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.



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Originating Organisation	Document	AASB No.	AASB Due Date	Other Organisation Due Date
AASB	Fatal-Flaw Review Draft: <i>Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases</i>	–	29 November 2019	–
IASB	Exposure Draft ED/2019/6 <i>Disclosure of Accounting Policies</i>	ED 296	closed	29 November 2019
AASB	Exposure Draft <i>General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities</i>	ED 295	30 November 2019	–
AASB	Exposure Draft <i>Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities</i>	ED 297	30 November 2019	–
AASB	Fatal-Flaw Review Draft: <i>Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations</i>	–	6 December 2019	–
IPSASB	Exposure Draft ED69 <i>Public Sector Specific Financial Instruments: Amendments to IPSAS 41, Financial Instruments</i>	–	–	31 December 2019

### AASB 2020 Scheduled Board Meeting Dates

4-6 March 2020  
29-30 April 2020  
11 June 2020  
16-17 September 2020  
11-12 November 2020

### March 2020 AASB meeting

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

Submissions on ED 295 and ED 297  
Not-for-Profit Entity Definition and Guidance  
Fair Value Measurement – Not-for-Profit Entities  
Tax Transparency Code Guidance