



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 203

12 June 2020

Welcome to the AASB Action Alert

The AASB Board met in public via videoconference on 11 June 2020. At its 176th meeting, the Board made key decisions in relation to:

[COVID-19 Financial Reporting Issues](#)

[Primary Financial Statements](#)

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

The Board also discussed the following topics:

[Conceptual Framework – Not-for-Profit Entities](#)

[For-Profit Entity Standard-Setting Framework](#)

[Other Business](#)

COVID-19 Financial Reporting Issues

Going concern disclosure requirements

The Board noted the New Zealand Accounting Standards Board's project proposing New Zealand additional disclosures relating to going concern uncertainties and judgements, and decided not to add a corresponding project to the AASB's Work Program for the following reasons:

- standard-setting action in Australia does not appear to be justified or sufficiently significant to warrant disclosures additional to IFRS Standards, in accordance with the AASB's standard-setting frameworks. The Board considers there are issues relating to going concern disclosures (and other aspects of the going concern assessment) that should be addressed at an international level;
- no negative consequences were identified for entities dual-listed in Australia and New Zealand;

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- the AASB has already discussed issues related to going concern disclosures through the AASB-AUASB Joint Publication *The Impact of COVID-19 on Going Concern and Related Assessments*.

Instead, the Board decided to undertake a longer-term project to influence the IASB to undertake a fundamental review of the requirements related to going concern assessments, disclosures and the basis of accounting where the going concern assumption is no longer appropriate.

Amendments to AASB 16 – Impact on Tier 2 entities and NFP lessors

The Board also discussed several matters raised in relation to pending amendments to AASB 16 *Leases* regarding COVID-19-related rent concessions that the Board is currently voting on and decided:

- that the new disclosures and the disclosure relief to be added to AASB 16 as a result of the amendments should also apply to Tier 2 entities, regardless of whether they are reporting under the Reduced Disclosure Requirements or the new Simplified Disclosures framework. An exposure draft with proposed amendments to AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* will be issued shortly with a comment period of 14 days. This will ensure entities intending to adopt AASB 1060 early for June 2020 financial reporting periods will continue to have all relevant disclosures in one Standard and will not need to refer to other Standards such as AASB 16 to identify their disclosure requirements;
- to not propose additional relief for lessors in the not-for-profit (NFP) sector in accounting for COVID-19-related rent concessions. The Board acknowledged the challenges faced by both for-profit (FP) and NFP entities as lessors during the current circumstances and considered that challenges in the NFP sector are similar in nature and extent to those of FP lessors. The Board considered the IASB's reasons for deciding not to propose relief for lessors in the FP sector, decided those reasons are equally relevant for NFP lessors, and did not support NFP standard-setting in accordance with the AASB's NFP entity standard-setting framework; and
- to consider whether there is any the additional impact on below-market-leases in a future meeting if concerns are raised by stakeholders.

Additional FAQs in progress

The Board also noted the development of two COVID-19-related AASB Staff FAQs addressing the accounting for government support and impairment of non-financial assets. The Staff FAQs are expected to be published on the AASB's website before 30 June 2020.



Primary Financial Statements

The Board made preliminary decisions to provide the following feedback to the IASB's ED/2019/7 *General Presentation and Disclosures*:

- with respect to proposals related to associates and joint ventures, a recommendation to not require entities to distinguish whether they are integral or non-integral, and instead to simply present all associates and joint ventures in a single line item below the operating category;
- general support for the proposals relating to analysis of operating expenses, but a recommendation to reconsider requirements for specified minimum line items that may result in an analysis by function becoming a mixed analysis by default;
- with respect to proposals related to unusual income and expenses, general support for the principle of providing information about future cash flows, but to recommend the IASB:
 - permit the consideration of information about the past in making an assessment of the possible future recurrence of an item of income or expense. The Board noted that making an assessment about the future without reference to the past could be practically challenging, including for auditors;
 - to consider expanding the scope to capture unusual items that may recur in the next reporting period, but otherwise not recur in the future, such as a restructure; and
 - to require disclosure of the tax effects and impact on non-controlling interests of unusual items of income and expenses; and
- with respect to proposals related to management performance measures (MPMs), to recommend making the definition of MPMs less restrictive, by removing requirements for MPMs to be faithfully representative and to complement totals or subtotals specified by IFRS Standards.

The Board will finalise its comments to the IASB at its September 2020 meeting, after considering any further feedback from Australian constituents in response to the Board's own ED 298 *General Presentation and Disclosures*, which is open for comment until 15 August 2020.

Fair Value Measurement for Not-for-Profit Entities

The Board tentatively decided to clarify the limited-scope proposals for additional disclosures by public sector not-for-profit entities in relation to restricted land held primarily for its service capacity:



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- the proposed disclosure of the amounts of any material adjustments deducted from the current market buying price of equivalent unrestricted land reflecting restrictions imposed on the use of the land for the public-sector-specific purpose of holding the land;
- the proposed disclosure would apply regardless of whether the difference between the land's fair value measurement and the current market buying price of equivalent unrestricted land resulted from explicitly adjusting that current market buying price; and
- 'equivalent unrestricted land' is a parcel of land that is in the same proximity as the land being measured; capable of providing the same services (or utility) as the parcel of land being measured; and not restricted for the public-sector-specific purpose as that applying to the parcel of land being measured.

The Board noted feedback received from stakeholders during staff's initial outreach activities on the proposals, including issues raised regarding the scope and nature of the proposed disclosures. The Board asked staff to consult further with stakeholders about:

- the trade-off between information relevance and possible disclosure overload from providing the proposed disclosures at either a class-of-asset level or the level of subclasses of land for which different valuation techniques are used or different rezoning probability adjustments are made;
- quantitative information about the significant unobservable inputs used in the fair value measurement resulting in a deduction from the current market buying price of equivalent unrestricted land; and
- disclosing the cost, and the adjustment deducted from cost, of a parcel of land that was acquired during the reporting period and incurred a material adjustment to reflect a restricted public-sector-specific purpose imposed on its use.

Conceptual Framework – Not-for-Profit Entities

The Board approved the project plan to modify the AASB's *Conceptual Framework for Financial Reporting* where necessary to address not-for-profit (NFP) private and public sector considerations in order to apply the Conceptual Framework to NFP entities.

For-Profit Entity Standard-Setting Framework

The Board considered revisions to *The AASB's For-Profit Entity Standard-Setting Framework* (May 2018). A draft revised version will be provided to the Financial Reporting Council for review before being finalised. The revisions are needed as a number of Australian Accounting Standards, policy documents and other documents referred to in the Framework have been superseded or updated. The revised



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Framework would also reflect that, for annual periods beginning on or after 1 July 2021, for-profit private sector entities are no longer permitted to prepare special purpose financial statements, subject to limited exceptions.

Other Business

The Board decided not to amend AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* to include the new disclosures resulting from the anticipated amendments to AASB 116 *Property, Plant and Equipment*. The amendment clarifies accounting requirements for proceeds received from selling items produced while testing an item of property, plant and equipment before its intended use. The Board considered the new disclosure is unlikely to be significant for Tier 2 entities.

Recently Approved Documents

Since last reported (4 May 2020), 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)
6 May 2020	ED 301 <i>Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i>	22 May 2020
9 June 2020	ED 302 <i>Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities</i>	11 September 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. You can submit your comments to the AASB via the [AASB website](#), [LinkedIn](#) or [email](#).

Originating Organisation	Document	AASB No.	AASB Due Date	Other Organisation Due Date
IASB	ED/2019/7 General Presentation and Disclosures	298	15 August 2020	30 September 2020



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Originating Organisation	Document	AASB No.	AASB Due Date	Other Organisation Due Date
AASB	Exposure Draft <i>Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities</i>	302	11 September 2020	–
IASB	Comprehensive Review of the IFRS for SMEs Standard	n/a	n/a	27 October 2020
IPSASB	ED70 Revenue with Performance Obligations	n/a	n/a*	1 November 2020
IPSASB	ED71 Revenue without Performance Obligations	n/a	n/a*	1 November 2020
IPSASB	ED72 Transfer Expenses	n/a	n/a*	1 November 2020
IASB	Discussion Paper DP/2020/1 Business Combinations— Disclosures, Goodwill and Impairment	n/a	2 October 2020	31 December 2020

* The AASB will perform targeted outreach to inform its submission to the IPSASB.

Remaining 2020 Scheduled AASB Meeting Dates

16 – 17 September 2020

11 – 12 November 2020

September 2020 AASB Meeting

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

Primary Financial Statements

Audit Fee Disclosures

Not-for-Profit Private Sector Financial Reporting Framework

Fair Value Measurement for Not-for-Profit Entities

Not-for-Profit Entity Definition and Guidance

Goodwill and Impairment

IPSASB Revenue and Transfer Expenses