



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 181
15 November 2016

Welcome to the AASB Action Alert

The AASB Board met in public on 14 November 2016 to discuss a pre-ballot draft of Standards relating to the Income of Not-for-profit Entities project.

Income of Not-for-Profit Entities

The Board made the following tentative decisions regarding its pre-ballot draft Standards AASB 10XX *Income of Not-for-Profit Entities* and AASB 2016-X *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* (implementation guidance for not-for-profit (NFP) entities in relation to AASB 15 *Revenue from Contracts with Customers*):

Transfers to enable an entity to acquire or construct a non-financial asset to be controlled by the entity

- (a) to require that the non-financial asset to be acquired or constructed by the entity is an asset that will be recognised in accordance with the appropriate Australian Accounting Standard. Consequently, Example 2C of AASB 2016-X will be revised to result in the immediate recognition of income for the grant because the research asset being developed cannot meet the asset recognition criteria of AASB 138 *Intangible Assets*;
- (b) to confirm that the accounting specified for transfers to acquire or construct a non-financial asset applies only to the transfer of a financial asset. Transfers of non-financial assets, such as building materials or land, will not qualify for the specified accounting treatment;

Transition of prior asset acquisitions for more than a nominal amount but significantly less than fair value

- (c) for cost/benefit reasons to extend transition relief to address asset acquisitions prior to the implementation of AASB 10XX where the consideration was significantly less than fair value

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(except for lease arrangements, for which the Board confirmed the current draft transition requirements). Under this approach, entities would not be required to determine whether assets currently carried at cost were acquired for consideration significantly less than fair value. Moreover, entities would not be required to remeasure those assets on transition to AASB 10XX.

Amendments to AASB 102 Inventories

- (d) to amend the consequential amendment (in AASB 10XX, Appendix D) for the initial measurement of inventories acquired for consideration that is significantly less than fair value principally to enable the entity to further its objectives. Such inventories would be measured at current replacement cost, to be consistent with the current measurement requirements of AASB 102, instead of fair value. The Board decided to consider fair value measurement as part of a future project;

Allocating the transaction price to performance obligations

- (e) to clarify the rebuttal of the presumption in AASB 2016-X that the transaction price for an arrangement within the scope of AASB 15 is wholly related to the transfer of promised goods or services by deleting the requirement that the element of the transaction price not related to the transfer of the goods or services be separately identifiable.

The Board will proceed to vote on the Standards by mid-December 2016. The proposed effective date continues to be annual reporting periods beginning on or after 1 January 2019.

Upcoming meetings and events

24 November 2016	AASB Research Forum
25 November 2016	AASB Investor Forum AASB Director Forum AASB CFO Forum
13-14 December 2016	AASB Meeting