



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 176
4 December 2015

Welcome to the AASB Action Alert

The AASB Board met in public on 2-3 December 2015. At the meeting the Board made key decisions in relation to:

- [Income of NFP Entities](#)
- [Service Concession Arrangements: Grantor](#)
- [Reporting Service Performance Information](#)

The Board also discussed the following topics:

- [Leases](#)
- [Financial Reporting Framework](#)
- [Materiality Practice Statement](#)
- [IASB Agenda Consultation](#)
- [Strategic Plan Update](#)
- [International projects and IFRIC interpretations](#)
- [International Meetings Update](#)
- [Social Benefits](#)
- [IASB's Capital Markets Advisory Committee](#)
- [Research update](#)
- [Emerging Issues](#)

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Income of NFP Entities

The Board tentatively decided:

- (a) that the 'sufficiently specific' principle in ED 260 *Income of Not for Profit Entities* be retained to determine when a performance obligation that would permit deferral of revenue recognition exists. The key element is being able to determine whether or not a performance obligation has been satisfied;
- (b) to explore further the link between 'sufficiently specific' and 'distinct' (as used in AASB 15 *Revenue from Contracts with Customers*) and in the context of an explicit and/or implied promise. AASB 15 requires that, to qualify as a performance obligation, the goods or services in an entity's promise to transfer goods or services in a contract with a customer must be distinct and therefore that promise is separately identifiable from other promises in the contract;
- (c) that a transfer to a not-for-profit (NFP) entity that has a single purpose charter (e.g., counselling service) would not automatically result in such a promise meeting the 'sufficiently specific' criterion – however if the conditions enabled a determination of when the service had been provided the criterion could be met;
- (d) to retain the notion that a transferor's stipulation to use the transferred funds over a particular time period, without any other conditions, does not meet the 'sufficiently specific' criterion as time is not a good or service; and
- (e) to rewrite paragraph IG13 of Appendix E of ED 260, provide examples and refer to the role of an acquittal process in assessing progress towards satisfaction of the performance obligation.

The Board asked staff to bring back to the next Board meeting draft wording and examples to assist the Board in finalising their views in relation to 'sufficiently specific'. The Board noted that at the next Board meeting it would continue its redeliberation of when an agreement is enforceable.

Service Concession Arrangements: Grantor

The Board decided to retain the principles in ED 261 *Service Concession Arrangements: Grantor* that the grantor controls the asset if it controls or regulates what services the operator must provide with the asset, to whom it must provide them and at what price. The Board also decided that the existing application guidance should be restructured and additional guidance provided to include:



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- (a) the requirement to apply the broader concept of control in other Australian Accounting Standards and include a new 'Implementation Guidance' section that sets out the typical types of arrangements for private sector participation in the provision of public sector services with references to the relevant Australian Accounting Standards that may apply to those arrangements;
- (b) those arrangements within the scope of the proposed Standard, including arrangements involving third-party regulation, long term arrangements, outsourcing, service or privatisation arrangements based on whether they meet the control criteria;
- (c) situations in which there is a change in the grantor's control of the asset,; and
- (d) the relationship between 'significant residual interest' and the extent to which an arrangement covers the 'whole-of-life' of the assets concerned in determining whether the grantor has control of the assets.

The Board discussed whether the proposed 'grant of the right to the operator' model in ED 261 is the appropriate model for recognising the service concession liability. The Board decided that the project should continue on the basis that it is the appropriate model and instructed Staff to research, for completeness, the rationale for the decision to adopt the model, taking into consideration issues around determining the fair value of the asset under this model.

Reporting Service Performance Information

The Board deferred the comment period on ED 270 from 12 February 2016 to 29 April 2016 to allow further consultation with the NFP private sector. The Board received a briefing of key points raised in the Education Sessions and Roundtable discussions on ED 270 *Reporting Service Performance Information* held during November 2015.

Leases

The Board indicated it was generally supportive of issuing the upcoming IASB Standard on Leases in Australia as AASB [16] shortly after the IASB has issued the international Standard (IFRS [16]).

The Board tentatively decided to include a consequential amendment in AASB 10XX *Income of Not-for-Profit Entities* for AASB [16] relating to below-market leases entered into by NFP lessees, rather than include additional guidance in AASB 117 *Leases* and AASB 1004 *Contributions*.



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The Board tentatively decided that differences between the accounting requirements for leases and Government Finance Statistics (GFS) requirements as a result of AASB [16] would not require additional guidance or amendments to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Financial Reporting Framework

The Board received an update on the project addressing the Australian financial reporting framework in terms of which entities should prepare and lodge general purpose financial statements and the content of such financial statements. No decisions were made.

Materiality Practice Statement

The Board tentatively decided to issue IASB ED/2015/8 IFRS Practice Statement *Application of Materiality to Financial Statements* (incorporated into AASB ED 271) as a non-mandatory [AASB] Practice Statement when finalised.

IASB Agenda Consultation

The Board tentatively decided the AASB submission IASB Request for Views *2015 Agenda Consultation* should suggest:

- (a) forward-thinking projects be added on:
 - (i) measurement in the Conceptual Framework and developing a definition of profit, as they link with existing projects on Financial Instruments with Characteristics of Equity and Primary Financial Statements ;
 - (ii) review of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*;
 - (iii) intangible assets (disclosures); and
 - (iv) standardising the terms of likelihood used in IFRS;
- (b) problem-solving projects be added on:
 - (i) IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*; and
 - (ii) IAS 36 *Impairment of Assets*; and
- (c) equity accounting should be addressed at a fundamental level or not at all.



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The Board tentatively agreed to rank the priority of the Discount Rates project as a 'medium' priority project, but noted that a higher priority may be appropriate for any domestic NFP sector project that the AASB might consider.

In addition, the Board tentatively decided the AASB submission should encourage the IASB to work closely with other standard-setters in fields that are important to supporting the successful implementation of IFRS, for example, valuation of financial instruments.

Strategic Plan Update

The Board noted that a number of key performance indicators for the AASB's strategic directions had been achieved, and the majority of those remaining are on track.

International Projects

The Board noted no issues from recent international meetings held by the IASB, IFRS Interpretations Committee and the Joint Transition Resource Group for Revenue Recognition.

Draft AASB Submission on DI/2015/1 *Uncertainty over Income Tax Treatments*

The Board generally supported the proposals in the Draft IFRIC Interpretation DI/2015/1 *Uncertainty over Income Tax Treatments*, noting:

- (a) the use of the US cumulative probability approach should be identified clearly as permissible or not under IFRS; and
- (b) whilst preferring a fundamental review of IAS 12 *Income Taxes*, rather than piecemeal changes, these proposals are unlikely to cause other issues.

Draft AASB Submission on DI/2015/2 *Foreign Currency Transactions and Advance Consideration*

The Board generally supported the proposals in Draft IFRIC Interpretation DI/2015/2 *Foreign Currency Transactions and Advance Consideration*, noting the submission should:

- (a) disagree with the proposed scope exclusion of insurance contracts and income taxes, as the scope of the Interpretation would be inconsistent with that of IAS 21 *The Effects of Changes in Foreign Exchange Rates*;



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- (b) recommend that the Committee include guidance to assist in distinguishing monetary from non-monetary items;
- (c) recommend limiting transition options;
- (d) comment that the alignment of the effective date of the Interpretation with that of IFRS 15 *Revenue from Contracts with Customers* is unnecessary; and
- (e) recommend the Committee include its rationale for using the term 'deferred income liability' rather than 'contract liability'.

International Meetings Update

The Board received an overview of the international meetings in which the Chair and staff have been involved since the last Board meeting.

Social Benefits

The Board decided not to make a submission on the IPSASB's Consultation Paper *Recognition and Measurement of Social Benefits*, however will consider this as part of its domestic agenda consultation process.

IASB Capital Markets Advisory Committee

The Board received an update on the operation of the IASB Capital Markets Advisory Committee and its November 2015 meeting from the Australian representative on the Committee.

Research update

The Board noted the updated research work program and recent Research Centre activities including:

- (a) the preliminary report on the joint research with the Korea Accounting Standards Board on IFRS 'terms of likelihood' presented at the 2015 annual AOSSG meeting, and which will be presented at the December ASAF meeting;
- (b) commencement of work on the literature review for the post-implementation review of IFRS adoption in Australia;
- (c) progress on extending the database of information from financial statements lodged with the ASIC; and



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- (d) the forthcoming meeting of the AASB's Academic Advisory Panel, including the plan to maintain an up-to-date schedule identifying academic research being conducted in areas of interest to the AASB.

Emerging Issues

Property Plant and Equipment

The Board will consider in detail at a future meeting the submission received on issues with property, plant and equipment within the scope of AASB 116 *Property, Plant and Equipment* measured on the revaluation model.

Tax Disclosures

The Board noted recent developments in the area of tax disclosures, including the effective tax borne work being undertaken by the Australian Taxation Office and complementary efforts to introduce country-by-country reporting as part of an OECD initiative.

The Board also noted the recent reinvigoration of the AASB's liaison with the ATO on a range of issues, including the tax disclosures made in general purpose financial statements.

Recently Approved Documents

Since last reported 17 November 2015, the Board has approved the following Standards and Exposure Drafts:

Date Approved	Document	Effective Date (Standards) Due Date for Submissions (EDs)
26 October 2015	Draft IFRIC Interpretation DI/2015/1 <i>Uncertainty over Income Tax Treatments</i>	21 December 2015
26 October 2015	Draft IFRIC Interpretation DI/2015/2 <i>Foreign Currency Transactions and Advance Consideration</i>	21 December 2015
30 October 2015	IFRS Practice Statement: <i>Application of Materiality to Financial statements</i>	25 January 2016
6 November 2015	AASB Agenda Consultation 2017–2019	4 March 2016
11 November 2015	AASB 2015-9 <i>Amendments to Australian Accounting Standards – Scope and Application Paragraphs</i>	1 January 2016



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Documents Open for Comment

The following documents are open for comment. AASB submissions to the IASB, IFRS Interpretations Committee, IFRS Foundation or IPSASB are published on the AASB website.

Originating Organisation	Document	AASB No.	AASB Due Date	Other Organisation Due Date
IASB	Requests for Views <i>2015 Agenda Consultation</i>	ITC 33	Closed	31 December 2015
IPSASB	ED 57 <i>Impairment of Revalued Assets</i>	-	-	15 January 2016
IPSASB	ED 58 <i>Improvements to IPSASs 2015</i>	-	-	15 January 2016
IFRIC	DI/2015/1 <i>Uncertainty over Income Tax Treatments</i>	-	21 December 2015	19 January 2016
IFRIC	DI/2015/2 <i>Foreign Currency Transactions and Advance Consideration</i>	-	21 December 2015	19 January 2016
IPSASB	Consultation Paper <i>Recognition and Measurement of Social Benefits</i>	-	-	31 January 2016
IASB	ED/2015/10 <i>Annual Improvements to IFRSs 2014-2016 Cycle</i>	ED 273	22 January 2016	17 February 2016
IASB	ED/2015/8 IFRS Practice Statement: <i>Application of Materiality to Financial Statements</i>	ED 271	25 January 2016	26 February 2016
AASB	<i>Reporting Service Performance Information</i>	ED 270	12 February 2016	-
IASB	ED/2015/9 <i>Transfers of Investment Property</i> (Proposed amendments to AASB 140)	ED 272	15 February 2016	18 March 2016
AASB	<i>AASB Agenda Consultation 2017-2019</i>	ITC 34	04 March 2016	-

Upcoming meetings and events

7-8 December 2015	Accounting Standards Advisory Forum (ASAF)
8-11 December 2015	International Public Sector Accounting Standards Board (IPSASB)



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AASB 2016 Scheduled Board Meeting Dates	23-24 February 2016 AASB meeting At the next Board meeting it is expected the Board will deal with the following items:
23-24 February 2016	<ul style="list-style-type: none">• Disclosure Initiative: materiality Practice Statement
19-20 April 2016	<ul style="list-style-type: none">• Service Concession Arrangements: Grantor
19-20 April 2016	<ul style="list-style-type: none">• Income of Not-for-Profit Entities
21-22 June 2016	<ul style="list-style-type: none">• Depreciated Replacement Cost
30-31 August 2016	<ul style="list-style-type: none">• Reduced Disclosure requirements
18-19 October 2016	<ul style="list-style-type: none">• Annual Improvements
13-14 December 2016	<ul style="list-style-type: none">• Investment Properties