



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 178
20 April 2016

Welcome to the AASB Action Alert

The AASB Board met in public on 20 April 2016. At the meeting the Board made key decisions in relation to:

- [Service Concession Arrangements: Grantor](#)
- [Reduced Disclosure Requirements](#)
- [Income of NFP Entities](#)
- [Clarifications to IFRS 15](#)

The Board also discussed the following topics:

- [International Projects](#)
- [Financial Reporting Framework](#)
- [Emerging Issues](#)
- [Research Update](#)
- [ICAS/EFRAI Research Paper](#)

Service Concession Arrangements: Grantor

The Board tentatively decided that, because there is sufficient guidance in ED 261 *Service Concession Arrangements: Grantor* and/or existing Australian Accounting Standards, additional guidance in the following areas is not warranted:

- (a) establishing the fair value of a partly constructed asset;
- (b) initial valuation of an intangible service concession asset;

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- (c) accounting for economic obsolescence in determining the asset's fair value; and
- (d) the principle-based approach to recognising revenue when amortising the grant of the right to the operator liability.

The Board tentatively decided that Application Guidance should:

- (a) identify the finance charge in the financial liability model using the effective interest rate method in AASB 9 *Financial Instruments* (ie implicit interest rate), rather than the entity's cost of capital; and
- (b) in a hybrid arrangement, permit allocating the total liability to the financial liability, with the remaining portion allocated to a grant of the right to the operator liability.

The Board agreed to consider at a future meeting the accounting for arrangements where the grantor compensates the operator based on the usage of the service concession asset by third-party users and where the grantor's obligation may not be for a specified or determinable amount to the operator.

The Board received a staff presentation on the preliminary findings of the field testing on service concession arrangements.

Reduced Disclosure Requirements

The Board:

- (a) agreed the RDR project should continue as a joint project with the New Zealand Accounting Standards Board (NZASB);
- (b) reconfirmed its previous tentative decision to rely on AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* for accounting policy disclosures; and
- (c) agreed, where the NZASB approach to RDR is different from Board's tentative decisions, an appendix will illustrate the differences using two standards.



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The Board tentatively decided to:

- (a) reconfirm its previous tentative decision to develop, with the NZASB, one policy document that sets out Tier 2 principles and identifies any differences in those principles;
- (b) add material to the decision-making framework to explain how the presumption that the benefits of a disclosure would exceed the costs can be rebutted; and
- (c) not rely on AASB 101 and AASB 108 for disclosures of significant estimates and judgements specific to a transaction or event.

It is planned to bring the ED for voting at the August 2016 meeting.

Income of NFP Entities

When considering an enforceable contract that has elements that may not be attributed to a performance obligation for the transfer of goods and/or services (eg attending a charity dinner), the Board tentatively decided:

- (a) there is a rebuttable presumption that all consideration is allocated to the performance obligation unless part of the consideration is not refundable (ie all consideration will be allocated to the performance obligation and revenue recognised as the performance obligation is satisfied);
- (b) an indicator to rebut this presumption is that the element not related to the performance obligation is separately identified; for example, because the not-for-profit entity has the status of deductible gift recipient and the customer can claim a tax deduction for the 'donation'.

The Board also tentatively decided that the definition of 'contribution by owners' should be considered as part of the agenda consultation process, rather than as part of the Income of Not-for-Profit Entities project. In the interim, the requirements in AASB 1004 *Contributions* be should retained.

Consideration of control of perpetual endowments was deferred to the June AASB meeting.

Clarifications to IFRS 15

The Board agreed to amend AASB 15 *Revenue from Contracts with Customers*:

- (a) to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a license; and



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- (b) to include further 'practical expedients' on transition to AASB 15, incorporating International Financial Reporting Standard *Clarifications to IFRS 15 Revenue from Contracts with Customers*.

The amendments will be finalised out of session and apply to annual periods beginning on or after 1 January 2018.

International Projects

The Board noted developments in a number of international standard-setting projects but did not identify any issues to raise with the IASB or IPSASB at this stage.

Financial Reporting Framework

Staff outlined the continuing work to develop benchmarking reports regarding financial reporting requirements for for-profit and not-for-profit entities in the private and public sectors. These reports will support further consultation with regulators and other stakeholders.

Emerging Issues

International Valuation Standards Council Exposure Drafts

The Board noted that the IVSC currently has four Exposure Drafts open for comment that discuss valuation bases, approaches and methods. The Board decided to make a submission to the IVSC supportive of the IVSC projects; drawing attention to instances where clarification could be useful for valuations performed for financial reporting purposes.

Research Update

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

- (a) the April 2016 AASB Academic Advisory Panel meeting;
- (b) planning for the November 2016 Academic Research Forum and the themes of the discussion sessions;
- (c) outreach on the impact of IFRS adoption in Australia;
- (d) noting the plan to publish a report on the joint research with the Korea Accounting Standards Board on IFRS 'terms of likelihood' in June 2016; and

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- (e) an update on the Australian Financial Reporting Framework project relating to public sector entities.

ICAS/EFRAG Research Paper

The Board noted the Institute of Chartered Accountants of Scotland (ICAS)/EFRAG research report *Professional Investors and the Decision Usefulness of Financial Reporting* published in March 2016. The Board supported exploring research topics on Australian user views that contribute to other projects on the work program in light of feedback on agenda consultation.

Recently Approved Documents

Since last meeting, the Board has approved the following Standards and Exposure Drafts:

Date Approved	Document	Effective Date (Standards) Due Date for Submissions (EDs)
23 February 2016	AASB 16 <i>Leases</i>	1 January 2019
24 February 2016	AASB 2016-1 <i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
23 March 2016	AASB 2016-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	1 January 2017

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
AASB	ED 270 Reporting Service Performance Information	ED 270	29 April 2016	-

Upcoming meetings and events

25 May 2016	Accounting Firms Forum
21-22 June 2016	AASB Meeting
24 November 2016	Academic Research Forum
25 November 2016	Investor Forum



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AASB 2016 Scheduled Board Meeting Dates	21-22 June 2016 AASB meeting At the next Board meeting it is expected the Board will deal with the following items:
21-22 June 2016	<ul style="list-style-type: none">• Reduced Disclosure Requirements• Insurance Contracts• Service Concession Arrangements• Income of NFP Entities• Agenda Consultation
30-31 August 2016	
18-19 October 2016	
13-14 December 2016	