



# AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 174  
4 September 2015

## Welcome to the AASB Action Alert

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

- **Reduced Disclosure Requirements (Tier 2) Principles**
- **Accounting for Income Tax of Public Sector Entities**

The Board also discussed the following topics:

- **Service Concession Arrangements: Grantor**
- **Income of Not-for-Profit Entities**
- **Contributions Tax Payable by the Plan in Light of Expected Franking Credits**
- **AASB Agenda Consultation**
- **Conceptual Framework**
- **Financial Reporting Framework – Benchmarking**
- **Cross-references in Financial Statements to Other Documents**
- **Draft AASB submission on IASB ED/2015/5 *Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan***
- **Crowd-sourced Equity Funding**
- **Draft AASB Submission on Effective Date of Amendments to IFRS 10 and IAS 28**
- **Digital Currency**

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- ***AASB 6 Exploration for and Evaluation of Mineral Resources***
- ***IPSASB Exposure Draft 56 The Applicability of IPSASs***
- ***International Valuation Standards Council Engagement Paper***
- ***IFRS Foundation Review***
- ***International Projects Update***
- ***International Meetings Update***
- ***Research Update***
- ***Strategic Plan Update***
- ***Presentation from Australian Bureau of Statistics Staff***

## **Reduced Disclosure Requirements (Tier 2) Principles**

The Board refined the Reduced Disclosure Requirements (RDR) decision-making framework:

- to articulate a frame of reference for the overarching principles of user needs and cost-benefit;
- for the Supporting Disclosure Areas (SDAs) removing the rebuttable presumption that costs exceed benefits and clarifying that SDAs need to provide a user with a basic level of understanding of significant transactions and events;
- to include an additional category of disclosure areas – Other Disclosure Areas (ODAs). ODAs would be subjected to a rebuttable presumption that the benefits of disclosure do not exceed the costs; and
- to articulate the principle that the disclosures in relation to significant judgements and estimates and accounting policies required for Tier 2 entities are located in AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and that staff should use this principle to evaluate the need to retain for Tier 2 entities similar disclosures in other Standards.

The Board tentatively decided that the refined RDR decision-making framework be applied by:

- starting with the disclosures required for Tier 1 entities and reduce them to identify the disclosures that Tier 2 entities are required to make; and

- (b) presenting Tier 2 in an appendix to each Standard that identifies, for that Standard, the disclosures required for Tier 2 entities.

The Board directed staff to bring back to the October Board meeting:

- (a) consideration of how the framework should be applied to AASBs 101, AASB 107 *Statement of Cash Flows* and AASB 108, including whether the statements of financial performance, financial position and cash flow be the same for Tiers 1 and 2; and
- (b) sweep issues, including the proposed application date.

### **Accounting for Income Tax of Public Sector Entities**

The Board will issue a tentative Agenda Decision responding to a constituent view that income tax equivalents should not be within the scope of AASB 112 *Income Taxes*. The Board tentatively decided that:

- (a) income tax equivalents are, in substance, an income tax as defined in AASB 112;
- (b) the owner (State/Territory government) is not receiving National Tax Equivalent Regime payments in its capacity as an owner; and
- (c) application of AASB 112 enhances the transparency of an entity's reporting and comparability with other entities within and outside the public sector.

### **Service Concession Arrangements: Grantor**

The Board considered the feedback received to date on ED 261 *Service Concession Arrangements: Grantor* and noted that, overall, constituents were supportive of the proposals and did not identify any major impediments to progressing the project. However, feedback also indicated that there are a number of areas requiring Board redeliberation and further work, including:

- (a) application to all public sector entities;
- (b) concept of control;
- (c) issues regarding the interaction of these proposals with fair value considerations, particularly where the operator has a right to proceeds from the public;
- (d) consideration of additional guidance/examples;
- (e) liability recognition and measurement;
- (f) defined terms;

- (g) other revenues, lifecycle costs and GAAP/GFS implications;
- (h) application date and transitional provisions; and
- (i) disclosures.

The Board also noted that staff intend to undertake field tests of the proposals later in 2015.

The Board approved the draft Project Plan.

### **Income of Not-for-Profit Entities**

The Board considered the feedback on ED 260 *Income of Not-for-Profit Entities* proposals and a draft project plan. The Board noted the high level of support for the proposal to remove the current income recognition requirements based on the reciprocal/non-reciprocal transfer distinction in AASB 1004 *Contributions*.

The Board noted that some constituents supported the approach described in AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* and that the Basis for Conclusions to ED 260 was not comprehensive as to the reasons why the Board had not proposed this approach. The Board directed staff to bring to the October Board meeting a paper identifying those reasons and how those reasons might be incorporated into the Basis for Conclusions.

In addition, staff expect the following topics will be discussed at the October Board meeting:

- (a) a staff analysis of Questions 6-8 and 10-13 from ED 260;
- (b) redeliberation of the performance obligation concepts of enforceable agreement and sufficiently specific; and
- (c) the draft project plan, updated as necessary for any issues identified by staff in their analysis of the feedback received on Questions 6-8 and 10-13 of ED 260.

The Board also noted the importance of maintaining good communication with the ED 260 respondents and those who would be affected by any change to the current requirements and that a range of communication approaches should be used.

### **Contributions Tax Payable by the Plan in Light of Expected Franking Credits**

The Board directed staff to conduct further research on how actuaries incorporate the impact of franking credits in measuring defined benefit obligations and investigate the research on value attributed to

franking credits in market values of listed securities. The Board also directed staff to do more research on whether the issue is confined to public sector entities.

## **AASB Agenda Consultation**

The Board decided to undertake a domestic agenda consultation process. The Board expects to publish an Invitation to Comment later in September 2015 requesting input on the domestic topics to be included in the AASB work program in respect of the period 2017-2019, and the priority that should be ascribed to the projects.

## **Conceptual Framework**

The Board began its consideration of IASB Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting*. The Board tentatively agreed with the positions taken in its draft comment letter, and decided that:

- (a) the comment letter should identify more clearly which aspects of the alternative views the Board supports;
- (b) the Board's concerns with regard to 'no practical ability to transfer' should be further developed; and
- (c) the comment letter should urge the IASB to have a more even-handed discussion of measurement bases, rather than having an apparent bias towards historical cost.

The Board also decided that its comment letter should note:

- (a) the profit or loss versus other comprehensive income distinction should not be embedded in a Conceptual Framework because it could discourage the development of better presentation approaches in the future; and
- (b) the Framework should aspire to current value as a single measurement basis.

The Board tentatively decided that its submission should comment on whether the Board could support the proposals as currently drafted, acknowledging that some of these proposals may differ from the Board's views.

## **Financial Reporting Framework – Benchmarking**

The Board received an overview of the developing benchmarking report and provided staff with general feedback. The Board noted that benchmarking the bases used in other jurisdictions for requiring different tiers of reporting is useful in informing its work the Australian Financial Reporting Framework.

## **Cross-references in Financial Statements to Other Documents**

The Board noted that the ability to cross-reference certain information to other documents in IFRS 7 *Financial Instruments: Disclosures* paragraphs B6, 21B and 35C is available in AASB 7 *Financial Instruments: Disclosures* effective for annual reporting periods beginning on or after 1 January 2018 (the effective date of AASB 9 *Financial Instruments* (2014)). The Board decided not to amend AASB 7 for earlier effective dates.

## **Draft AASB submission on IASB ED/2015/5 *Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan***

The Board generally agreed with the amendments proposed in IASB Exposure Draft ED/2015/5 *Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan* [incorporated into AASB 266] and decided to finalise the AASB submission on IASB ED/2015/5, subject to constituent feedback on AASB ED 266.

## **Crowd-sourced Equity Funding**

The Board discussed an Australian Government Consultation Paper seeking views on extending crowd-sourced equity funding to small proprietary companies and decided that AASB staff should further discuss the financial reporting requirements for such companies with Treasury staff.

## **Draft AASB Submission on *Effective Date of Amendments to IFRS 10 and IAS 28***

The Board expressed disagreement with the IASB proposal to defer indefinitely the effective date of the amendments related to sale or contribution of assets between an investor and its associate or joint venture in IFRS 10 and IAS 28 as proposed in IASB Exposure Draft ED/2015/7 *Effective Date of Amendments to IFRS 10 and IAS 28* [incorporated into AASB ED 268] as the Board considers that the amendments address an inconsistency between the requirements in IFRS 10 and IAS 28 and, accordingly, help reduce diversity in practice.

The Board also noted that, if the IASB decides to proceed with its proposal to defer the effective date indefinitely, the Board is strongly of the view that the IASB should expedite its *Equity Method of Accounting* research project.

The Board also tentatively decided to express concerns that amending the effective date, which was established after careful consideration and consultation with its constituents, may undermine the IASB's due process. The Board noted that this could set a precedent for constituents seeking amendments to effective dates of other Standards that may be considered difficult to implement.

The Board also noted that Accounting Standards are legislative instruments in Australia and deferring the effective date indefinitely may have unintended legal consequences (for example, it may result in the requirements becoming effective immediately). Accordingly, the Board tentatively decided that if the IASB's proposals in ED/2015/7 become a Standard, the effective date of the amendments would be 1 January 2018.

## **Digital Currency**

The Board directed staff to consider emerging issues relating to accounting for digital currency with a view to potentially raising the issues at a future Accounting Standards Advisory Forum (ASAF) meeting.

## **AASB 6 *Exploration for and Evaluation of Mineral Resources***

The Board raised issues with the interpretation of AASB 6 *Exploration for and Evaluation of Mineral Resources* that have arisen because of specific 'Aus' paragraphs, which are not in the equivalent IFRS. One specific issue relates to the interaction between the impairment requirements in AASB 6 and AASB 136 *Impairment of Assets*. The Board directed staff to undertake a limited review of these 'Aus' paragraphs to determine whether a different interpretation of the requirements would result if these paragraphs were removed from AASB 6.

## **IPSASB Exposure Draft 56 *The Applicability of IPSASs***

The Board approved the content of a submission to IPSASB ED 56 *The Applicability of IPSASs* that agreed with the approach proposed in the ED to:

- (a) remove the definition of 'Government Business Enterprise' in IPSAS 1 *Presentation of Financial Statements*; and
- (b) make consequential amendments to International Public Sector Accounting Standards and Recommended Practice Guidelines.

## **International Valuation Standards Council Engagement Paper**

The Board decided to make a submission to the International Valuation Standards Council (IVSC) Review Group Report Engagement Paper expressing support for the proposal to involve other standard-setters as part of the IVSC's processes. The Board also decided to recommend that the IVSC gives consideration, depending on the topic being addressed, to including representatives from standard-setters or other disciplines as part of an IVSC Working Group.

## **IFRS Foundation Review**

The Board decided to submit a comment letter to the IFRS Foundation in response to the Request for Views – *Trustees' Review of Structure and Effectiveness: Issues for the Review*.

## **International Projects Update**

The Board did not identify any issues to raise with the IASB as a result of its recent Board meeting or advisory bodies' meetings.

## **International Meetings Update**

The Board received an overview of the international meetings that the Chair and staff have been involved in since the last Board meeting, including the ASAF meeting and AASB-NZASB presentation on issues relating to insurance contracts; and meetings with a number of national and regional standard setters.

The Board also noted that the KASB will be the next Chair of the AOSSG and voting is underway for a new AOSSG Vice-Chair.

## **Research Update**

The Board noted the updated research work program and the recent activities of the AASB's Academic Advisory Panel.

### *AASB and KASB Joint Research*

Staff briefed the Board on the AASB and KASB joint research project titled Professional Judgment and Terms of Likelihood, which involves a survey instrument to be sent to listed companies and auditors. Board members were requested to provide relevant contacts who could respond to the survey.

### *Post-implementation Review of International Financial Reporting Standards (IFRS)*

The Board noted progress on conducting a post-implementation review of IFRS adoption in Australia, which includes evaluating the relevant costs and benefits. The Board decided that a literature review relating to IFRS adoption in Australia should be carried out as part of the project followed by various outreach activities.

### **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 were on track.

### **Presentation from Australian Bureau of Statistics Staff**

Paul Mahoney, Branch Head, Macroeconomic Statistics Division of the Australian Bureau of Statistics, provided the Board with an overview of the Australian Government Finance Statistics (GFS) Manual 2015 (preliminary draft). The Board agreed to continue to work closely with the ABS on GFS issues that affect Australian Accounting Standards.

### **Recently Approved Documents**

Since last reported (9 July 2015), the Board has approved the following Standards and Exposure Drafts:

<b>Date Approved</b>	<b>Document</b>	<b>Effective Date (Standards) Due Date for Submissions (EDs)</b>
24 July 2015	AASB principal Standards and Interpretations – Batch 1 AASB 1, 2, 10, 11, 101, 102, 124 and 1057 Interpretations 1 and 2:	Various
3 August 2015	ED 267 <i>Clarifications to AASB 15</i>	2 October 2015
7 August 2015	AASB principal Standards and Interpretations – Batch 2: AASB 3, 4, 5, 6, 7, 8, 12, 13, 107, 108, 110, 112, 116, 117, 119, 120, 121, 123, 127, 128, 129, 132, 133, 134 and 148 Interpretations 4, 5, 6 and 107.	Various
10 August 2015	ED 269 <i>Recoverable Amount of Non-cash-generating Specialised Assets of Not-for-Profit Entities</i>	16 November 2015
13 August 2015	ED 268 <i>Effective Date of Amendments to AASB 10 and AASB 128</i>	9 September 2015

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Issue No: 174  
4 September 2015

Date Approved	Document	Effective Date (Standards) Due Date for Submissions (EDs)
13 August 2015	ITC 33 <i>Request for Comment on IASB's Request for Views on 2015 Agenda Consultation</i>	9 November 2015
14 August 2015	AASB principal Standards and Interpretations – Batch 3: AASB 136, 137, 138, 139, 140 and 141 Interpretations 7, 10, 12, 14, 16, 17, 19, 20, 21, 110, 115, 125, 127, 129 and 132.	Various
19 August 2015	ED 270 <i>Reporting Service Performance Information</i>	12 February 2016

### 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	ED/2015/7 <i>Effective Date of Amendments to IFRS 10 and IAS 28</i>	ED 268	9 September 2015	9 October 2015
IASB	ED/2015/5 <i>Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan</i>	ED 266	21 September 2015	19 October 2015
IASB	ED/2015/6 <i>Clarifications to IFRS 15</i>	ED 267	2 October 2015	28 October 2015
IASB	ED/2015/3 <i>Conceptual Framework for Financial Reporting</i>	ED 264	5 October 2015	26 October 2015
IASB	ED/2015/4 <i>Updating References to the Conceptual Framework (Proposed amendments to IFRS 2, IFRS 3, IFRS 4, IFRS 6, IAS 1, IAS 8, IAS 34, SIC-27 and SIC-32)</i>	ED 265	5 October 2015	26 October 2015
AASB	<i>Recoverable Amount of Non-cash-generating Specialised Assets of Not-for-Profit Entities</i>	ED 269	16 November 2015	-



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Originating Organisation	Document	AASB No.	AASB Due Date	Other Organisation Due Date
IPSASB	Exposure Draft 56 <i>The Applicability of IPSASs</i>	-	-	30 November 2015
IPSASB	Consultation Paper <i>Recognition and Measurement of Social Benefits</i>	-	-	31 January 2016
AASB	<i>Reporting Service Performance Information</i>	ED 270	12 February 2016	-

### Upcoming meetings and events

22-25 September 2015	International Public Sector Accounting Standards Board (IPSASB)
28-29 September 2015	World Standard Setters (WSS)
29-30 September 2015	International Forum of Accounting Standard Setters (IFASS)
1-2 October 2015	Accounting Standards Advisory Forum (ASAF)
21-22 October 2015	AASB Meeting

AASB 2015 Scheduled Board Meeting Dates	21-22 October 2015 AASB meeting
	At the next Board meeting it is expected the Board will deal with the following items:
21-22 October 2015	<ul style="list-style-type: none"> <li>Reduced Disclosure Requirements (Tier 2) Principles</li> <li>Income of Not-for-Profit Entities</li> <li>Service Concession Arrangements: Grantor</li> <li>Conceptual Framework</li> <li>Fair Value Measurement – Not-for-Profit Specific Issues</li> </ul>
2-3 December 2015	
23-24 February 2016	
19-20 April 2016	
21-22 June 2016	