



Subject: Minutes of the 166th meeting of the AASB
Venue: Melbourne – Rattigan Rooms, Productivity Commission, Level 12, 530 Collins Street
Sydney – PwC, Level 17, One International Towers, Waterman Quay, Barangaroo
Time(s): Tuesday, 14 August 2018, from 10.00 – 11.40am

All agenda items except items 1(a), 1(b), 6 and 7 were discussed in public.

Attendance

Members
Kris Peach (Chair)
Mike Blake – via Teleconference
Kimberley Crook – via Teleconference
Regina Fickers (Deputy Chair) – via Videoconference Sydney
Peter Gibson – via Teleconference
Ken Liow
Taryn Rulton
Marc Smit
Stephen Taylor - via Videoconference Sydney
Alison White - via Videoconference Sydney

Apologies
Carmen Ridley

In attendance

Staff
Patricia Au
James Barden
Kimberley Carney
Shachini Dassanayake
Neha Juneja
Kala Kandiah
Justine Keenan
Daniel Valuckas



Apologies, Declarations of Interest, Minutes and Approvals Out of Session

Agenda Item 2

Apologies

Apologies were noted for Carmen Ridley.

Declarations of Interest

Members indicated that, in the normal course of their day-to-day professional responsibilities, they deal with a broad range of financial reporting issues. Members have adopted the standing policy in respect of declarations of interest that a specific declaration will be made where there is a particular interest in an issue before the Board.

Minutes

The Board approved the minutes of the one hundred and sixty-fifth meeting, held on 14 June 2018.

Approvals Out of Session

There were no approvals out of session since the previous Board meeting.

Revenue from Licences issued by NFP Public Sector Licensors

Agenda Item 3

The Board directed staff to present the Board with a pre-ballot draft Standard on *Revenue from Licences Issued by NFP Public Sector Licensors* reflecting the following decisions:

- (a) to provide guidance clarifying that a licensor's activities to maintain exclusivity of a licence or to ensure the licensee continues to meet eligibility criteria of the arrangement are not performance obligations, as these activities do not transfer a good or service to the licensee that is additional to the licence itself, in accordance with the general principles of AASB 15 *Revenue from Contracts with Customers*;
- (b) not to provide guidance on how an entity should apply AASB 15 paragraph 35 to determine whether the performance obligation of issuing a right to perform is satisfied at a point in time or over time. In making this decision, the Board observed that:
 - (i) the principles and existing guidance in AASB 15 would be sufficient for NFP public sector licensors to apply the Standard;
 - (ii) the magnitude of licences issued by NFP public sector entities did not appear to constitute a significant portion of public sector revenue for the Board to develop public sector specific guidance on AASB 15 that may have unintended implications for private sector entities applying AASB 15; and



- (iii) the facts and circumstances of NFP public sector licences differ significantly, and providing specific guidance on this aspect of AASB 15 may lead licensors to draw conclusions without considering their specific facts and circumstances sufficiently; and
- (c) to revise Example 8 of ED 283 to illustrate the application of the revised guidance outlined in (a) and remove Examples 9 - 11;
- (d) to provide an additional example illustrating how an entity identifies an additional, distinct performance obligation in an arrangement that contains a non-IP licence (a right to perform), in accordance with AASB 15 paragraphs 26-30;
- (e) to retain the guidance set out in ED 283 paragraph G3 to identify a licence from a tax unamended from the decisions made in June 2018; and
- (f) where there is evidence of similar activities conducted by another entity being taxed, that this would be an additional criterion to rebut the presumption that, where an arrangement has a dual purpose of granting a licence and imposing a tax, a not-for-profit public sector entity will allocate the transaction price wholly to the promise to grant a licence.

The Board decided that a fatal-flaw review version need not be issued in light of the Board deciding not to make any major changes to the proposals in ED 283.

Action:

Staff

The impact of the AASB's revised Conceptual Framework proposals on not-for-profit private sector entities

Agenda Item 4.2

The Board decided to issue a frequently asked question (FAQ) to help charities, companies limited by guarantee, incorporated associations, cooperatives and other not-for-profit private sector (NFP) entities understand the impact of the proposals in AASB's [Consultation Paper ITC 39](#).

The FAQ will outline the Board's expectation that it will, in consultation with the Australian Charities and Not-for-profits Commission's (ACNC) and state and territory regulators, explore three tiers of reporting for NFP entities; each with consistent, comparable and transparent reporting requirements – dependent on recommendations from the recent ACNC legislative review.

It will explain how special purpose financial statements (SPFS) are expected to be **replaced** for NFP entities with reporting requirements that are proportionate, fair and balance user needs with costs to preparers as outlined below:

- (a) Bottom tier – most likely be cash accounting, with a statement of resources and commitments (for ACNC NFP's voluntary basis only, supporting completion of the Annual Information Statement);



- (b) Middle tier either Tier 2 General Purpose Financial Statements (GPFS) [full recognition and measurement with simplified disclosure] or a modified accrual framework [simplified recognition, measurement and disclosure]; and
- (c) Top tier –either Tier 1 [full recognition, measurement and disclosure] or Tier 2 GPFS framework (depending on where the middle tier lands).

The Board also decided to explore the possibility of putting NFP thresholds and requirements into the existing AASB 1053 *Application of Tiers of Australian Accounting Standards*. This would ensure that all NFPs required by legislation or otherwise to prepare financial statements in accordance with Australian Accounting Standards would prepare comparable, consistent and transparent financial statements using the Bottom, Middle or Top tiering requirements.

The FAQ will also explain that the Board will perform extensive consultation on a broader range of proposals for NFPs compared to what was contained in ITC 39. In addition to looking at the three tiers of reporting, the Board will be looking at service performance reporting (also known as impact reporting), remuneration reporting, fundraising and related party disclosures. Transitional relief for NFP entities would also be explored at that time.

The Board noted that NFP entities could still assist with the proposals in ITC 39 by providing feedback on whether they prefer the existing Tier 2 GPFS framework – Reduced Disclosure Requirements or the newly proposed Tier 2 GPFS framework – Specified Disclosure Requirements for the Top or Middle tiers. This will help to inform the AASB which option they should pursue in further consultation

Action:

Staff

Deferral of agenda items

Agenda items 4.0, 4.1, 5, 6 and other business will be deferred to the 4-5 September 2018 meeting.

Close of Meeting

The Chair closed the meeting at 11.40am. on Tuesday, 14 August 2018.

Approval

Signed by the Chair as a correct record,
this 4th September 2018