**Do you agree? Why or why not? Please specify and explain why. Are you aware if smaller not-for-profit private sector entities use hedge accounting?**

We agree with the Board's view as we are not aware of many smaller not-for-profit private sector entities that use hedge accounting.

**Question 24**

**Paragraphs 5.83 to 5.85 discuss the Board's preliminary view to develop a requirement for basic financial assets and financial liabilities to be initially measured at their fair value. Transaction costs and fees incurred by the entity to acquire a financial asset or assume a financial liability are to be immediately expensed.**

**Do you agree? Why or why not? If you disagree with the Board's view, do you prefer other alternatives? Please specify and explain why.**

We agree with the Board's view as we believe initial measurement at fair value is the most appropriate for smaller not-for-profit entities in the interests of maintaining comparability between tiers of reporting for not-for-profit entities.

**Question 25**

**Paragraphs 5.86 to 5.104 discuss the Board's preliminary develop a requirement for basic financial assets and financial liabilities to be subsequently measured as follows:**

**a) basic financial assets that are held to generate both income and a capital return – at fair value through other comprehensive income; and**

**b) other basic financial assets and financial liabilities – at cost. Interest income and interest expense on these instruments are to be recognised as amounts accrue or are incurred, calculated by reference to the contractual interest rate. Any initial premium or discount on acquisition of the basic financial asset or financial liability is to be amortised on a straight-line basis over the life of the instrument, unless another systematic basis or shorter period is more reflective of the period to which the premiums or discounts relate.**

**Do you agree? Why or why not? If you disagree with the Board's view, do you prefer other alternatives? Please specify and explain why.**

Consistent with our comments to question 21, we have concerns around the absence of the option for entities to measure financial assets at fair value through profit or loss which we understand is the common practice for not-for-profit entities in measuring units held in management investment schemes.

**Question 26**

**Paragraphs 5.105 to 5.108 discuss the Board's preliminary view to develop a requirement for impairment of basic financial assets measured at cost to be recognised when it is probable that some or all of the amount owed will not be collectible. The impairment loss is to be measured at the anticipated uncollectible amount.**

**Do you agree? Why or why not? If you disagree with the Board's view, do you prefer other alternatives? Please specify and explain why.**

We agree with the Board's proposed impairment model being an incurred loss model. While we see merit in the expected loss model under AASB 9 including the enhancement of comparability between tiers, we believe the incurred loss model is the appropriate proportionate response to smaller not-for-profit entities which are unlikely to have sophisticated credit risk management policies.

**Question 27**

**Paragraphs 5.109 to 5.114 discuss the Board's preliminary view to develop a requirement that a financial asset is derecognised only when either the contractual rights to the cash flows from the financial asset expire or are settled, or the entity otherwise loses control of the asset.**

**The Board also formed a preliminary view not to address instances of debt instrument exchanges or modification of the terms of a financial liability as part of its Tier 3 Standard. An entity treats a modification of the terms of a financial liability or an exchange of a debt instrument for a different debt instrument as an extinguishment of the original financial liability.**

**Do you agree? Why or why not? If you disagree with the Board's view, do you prefer other alternatives? Please specify and explain why.**

We agree with the Board's view as we believe this is the appropriate proportionate response for smaller not-for-profit entities which are unlikely to have complex modifications of financial assets and financial liabilities.

**Question 28**

**Paragraphs 5.115 to 5.119 discuss the Board's preliminary view to not depart from the principles of AASB 13 Fair Value Measurement when developing reporting requirements for Tier 3 not-for-profit private sector entities as it thinks maintaining a consistent understanding of 'fair value' across the different reporting tiers is important.**

**Do you agree? Why or why not? If you disagree with the Board's view, do you prefer any other alternative requirements Tier 3 not-for-profit private sector entities? Please specify and explain why.**

We agree with the Board's view not to depart from the principles of AASB 13 as we believe it is important to have a consistent basis of fair value across the different reporting tiers. Given that smaller not-for-profit entities are not likely to have a sophisticated financial reporting function, we also agree with the Board's view to express AASB 13 in a manner that would be easier for preparers of Tier 3 GPFS to follow.

**Question 29**

**Paragraphs 5.120 to 5.121 discuss the Board's preliminary view that cost may be an appropriate estimate for fair value when cost represents the best estimate of fair value within a wide range of possible fair value measurements for instances described in paragraph 5.120.**

**Do you agree? Why or why not? If you disagree with the Board's view, do you prefer other alternatives? Please specify and explain why.**

We agree with the Board's view around cost being an appropriate estimate for fair value in certain instances, but we think it is important that cost is only used in very limited circumstances as it should not be an easy opt-out for entities that simply do not want to invest in the cost of obtaining the fair value measurement.

**Question 30**

**Paragraphs 5.125 to 5.126 discuss the Board's preliminary view to develop Tier 3 reporting requirements that are consistent with the requirements in AASB 102 Inventories.**

**Do you agree? Why or why not? If you disagree with the Board's view, do you prefer other alternatives? Please specify and explain why.**

We agree with the Board's view to develop Tier 3 reporting requirements for inventories that are consistent with AASB 102 to maintain comparability between the reporting tiers.

**Question 31**

**Paragraphs 5.128 discusses the accounting for biological assets if not scoped out from a Tier 3 Standard. The Board's preliminary view is not to include biological assets and agricultural produce at the point of harvest in a Tier 3 Standard as discussed in paragraphs 4.20.**

**Do you agree? Why or why not? If you disagree with the Board's view, do you prefer the accounting for biological asset should be included in a Tier 3 Standard and accounted for in accordance with the requirements for inventory? Please specify and explain why.**

We agree with the Board's view around the accounting for biological assets.

**Question 32**

**Paragraphs 5.129 to 5.132 discuss the Board's preliminary view to develop a requirement for interests in associates and joint ventures to be measured:**

**for a Tier 3 not-for-profit private sector entity that is:**

- **a) a parent entity that presents consolidated financial statements or it is not a parent entity, the entity applies the equity method of accounting consistent with the requirements in AASB 128 Investments in Associates and Joint Ventures to its interests in associates and joint ventures; and**
- **b) a parent entity that presents separate financial statements as its only financial statements, the entity does not apply the equity method of accounting to measure its interest in associates and joint ventures.**

**The Board has not yet discussed other exemptions and exceptions to applying the equity method as it is only consulting on its general approach to accounting for interests in associates and joint ventures at this stage of its project.**

**Do you agree? Why or why not? If you disagree with the Board's view, do you prefer other alternatives? Please specify and explain why**

We agree with the Board's view around the accounting for interests in associates and joint ventures as we believe it is the appropriate proportionate response for smaller not-for-profit entities.

**Question 33**

**Paragraphs 5.133 to 5.134 discuss the Board's preliminary view to allow an accounting policy choice to require an investor that presents separate financial statements, whether in addition to consolidated financial statements or equity-accounted financial statements, to measure its interest in associates and joint ventures as either:**

- **a) at cost; or**
- **b) at fair value through other comprehensive income.**

**Do you agree? Why or why not? If you disagree with the Board's view, do you prefer other alternatives? Please specify and explain why.**

We agree with the Board's view in providing an accounting policy choice between cost and fair value to entities in measuring its interest in associates and joint ventures.

**Question 34**

**Paragraphs 5.135 to 5.144 discuss the Board's preliminary view to require property, plant and equipment and investment property, other than with respect to borrowing costs, to be recognised and measured in a consistent manner to Tier 2 Australian Accounting Standards.**

**Do you agree? Why or why not? If you disagree with the Board's view, do you prefer other alternative requirements such as not to allow smaller not-for-profit private sector entities to revalue their noncurrent assets? Please specify and explain why.**

We agree with the Board's view for investment property and property, plant and equipment to be accounted for in a manner that is consistent with Tier 2 Australian Accounting Standards to maintain comparability between the different reporting tiers.

**Question 35**

**Paragraphs 5.145 to 5.152 discuss the Board's preliminary view to allow an entity the following accounting policy choice for initial measurement of non-financial assets acquired for significantly less than fair value:**

**a) inventory to be measured at cost or at current replacement cost; and**

**b) other non-financial assets to be measured at cost or at fair value.**

**The Board also decided not to permit an entity to subsequent apply the revaluation or fair value model if the donated non-financial asset were initially measured at cost.**

**Do you agree? Why or why not? If you disagree with the Board's view, do you prefer other alternative requirements discussed in paragraph 5.152? Please specify and explain why**

We agree with the Board's view to allow an accounting policy choice in the initial measurement of non-financial assets acquired for significantly less than fair value. This is consistent with the accounting policy choice between cost and fair value provided by the Board for the initial measurement of right-of-use asset for concessionary leases under AASB 16. Given this is conceptually similar to concessionary leases, we support the adoption of a consistent approach in providing an accounting policy choice to not-for-profit entities and we further note that it is also important to have similar disclosure requirements to be made under the cost approach, in line with the additional disclosures currently required by not-for-profit entities which choose to measure right-of-use assets under concessionary leases at cost.

**Question 36**

**Paragraphs 5.153 discusses the Board's preliminary view to propose retaining the option to permit, but not require, a smaller not-for-profit entity to recognise volunteer services received, or a class of volunteer services, if the fair value of those services can be measured reliably.**

**Do you agree? Why or why not? If you disagree with the Board's view, do you prefer other alternative requirements? Please specify and explain why**

We agree with the Board's view to allow smaller not-for-profit entities the option to recognise volunteer services in line with the requirements under AASB 1058.

**Question 37**

**Paragraphs 5.154 to 5.156 discuss the Board's preliminary view to require all borrowing costs to be expensed in the period incurred for Tier 3 not-for-profit private sector entities.**

**Do you agree? Why or why not? If you disagree with the Board's view, do you prefer other alternatives requirements? Please specify and explain why.**

We agree with the Board's view around the expensing of borrowing costs as we believe it is the appropriate proportionate response for smaller not-for-profit entities.

**Question 38**

**Paragraphs 5.157 to 5.162 discuss the Board's preliminary view that the impairment model for non financial assets of Tier 3 entities should:**

- **a) only require non-financial assets subsequently measured at cost or deemed cost to be subject to impairment testing;**
- **b) only require entities to consider whether non-financial assets are impaired when the asset has been physically damaged or when its service potential might have been adversely affected by a change in the entity's strategy or changes in external demand for the entity's services;**
- **c) require impairment of a non-financial asset to be recognised if its carrying amount exceeds its recoverable amount being the higher of its fair value less costs of disposal and its value in use. Tier 3 reporting requirements will include a rebuttable presumption that fair value less costs of disposal is expected to be the most appropriate measure of a non-financial asset's recoverable amount because non-financial assets are generally not held by not-for-profit private sector entities to generate cash flows; and**
- **d) allow entities to group non-financial assets that do not generate cash flows that are largely independent from other assets into cash-generating units for impairment purposes.**

**Do you agree? Why or why not? If you disagree with the Board's view, do you prefer other alternative requirements discussed in paragraph 5.162? Please specify and explain why.**

We agree with the Board's view around the impairment of non-financial assets as we believe it is the appropriate proportionate response for smaller not-for-profit entities.

**Question 39**

**Paragraphs 5.163 discusses the Board's preliminary view not to propose introducing any specific requirements for property, plant and equipment or other non-current assets that a smaller not-for-profit private sector entity intends to sell rather than hold for its continuing use.**

**Do you agree? Why or why not? If you disagree with the Board's view, do you prefer other alternatives? Please specify and explain why.**

We agree with the Board's view as we believe this is the appropriate proportionate response to smaller not-for-profit entities which are unlikely to have frequent assets held for sale.

**Question 40**

**Paragraphs 5.164 to 5.167 discuss that the Board has not yet formed a view to develop requirements for accounting of intangible assets in a Tier 3 Standard. The Board is seeking to understand the extent of use of intangible assets by smaller not-for-profit private sector entities including the typical forms of any intangible assets held. This will help inform the Board's deliberations on intangible assets in a future Tier 3 Standard.**

**Are you aware of any intangible assets and their type, either internally generated or externally acquired, commonly held and recognised by smaller not-for-profit private sector entities? If so, please provide details of these assets.**

In our experience, smaller not-for-profit entities do not commonly have significant balances of intangible assets in their financial statements. The most common type of intangible assets we have encountered are software assets that are recognised by smaller not-for-profit entities.

**Question 41**

**Paragraphs 5.168 to 5.178 discuss the Board's preliminary view on accounting requirements for leases, including:**

a) **requiring a lessee to recognise lease payments as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. A similar requirement would apply for lessors;**

b) **concessionary lease arrangements ('peppercorn' leases) would be accounted for in the same manner as other leases; and**

c) **not including specific requirements for sale and lease back transactions, or for manufacturer or dealer lessors.**

**Do you agree with the Board's preliminary view? Why or why not? If you disagree with the Board's view, which of the requirement(s) in (a) – (c) concerns you the most? Do you prefer that Tier 3 accounting requirements should be consistent with AASB 16 Leases? Please explain why.**

**To the best of your knowledge, are sale and lease back transactions common for smaller not-for-profit private sector entities?**

We agree with the Board's view around simplified lease accounting as we believe it is the appropriate proportionate response for smaller not-for-profit entities. However, we believe that if leases are off balance sheet, it is important to have clear disclosures (e.g., the lease term, lease liability and lease commitments) to help users understand the lease arrangements in place. Furthermore, we also believe that the Board should ensure it gives consideration around transition requirements (e.g., in cases when entities move from Tier 2 to Tier 3) to provide adequate guidance for entities in navigating the changes.

**Question 42**

**Paragraphs 5.179 to 5.188 discuss the Board's preliminary view that income recognition for Tier 3 entities should require an entity to assess whether a transaction is based on a common understanding, evidenced by the transfer provider in writing or some other form, that the entity is expected to use the inflows of resources in a particular way or act or perform in a particular way that results in outflows of resources, including:**

a) **transferring goods or services;**

b) **performing a specified activity;**

c) **incurring eligible expenditure for a specified purpose; and**

d) **using the inflows of resources in respect of a specified period.**

**Income is recognised in the manner that most faithfully represents the amount and pattern of consumption by the entity of the resources received. For all other income transactions, income is recognised at the earlier of receiving cash or obtaining a right to receive cash (receivable).**

**Do you agree? Why or why not? If you disagree, do you prefer any other alternative approach as discussed in paragraph 5.186? Please specify and explain why.**

We agree with the Board's view around simplified income accounting as we believe it is the appropriate proportionate response for smaller not-for-profit entities. We note that the proposed approach is more meaningful for smaller not-for-profit entities as it is consistent with the income-expense matching principle which will also assist to align management accounts to the statutory accounts. While we find the proposed criteria reasonable and appropriate for smaller not-for-profit entities, we note that the reference to 'common understanding' may prove to have some application and audit challenges. Accordingly, we believe it would be helpful if the Board supplement the income requirements with guidance to assist entities apply it in practice in a consistent manner.

**Question 43**

**Paragraphs 5.189 to 5.199 discuss the Board's preliminary view that employee benefits expense is measured at the undiscounted amount of the obligation to the employee for:**

**a) non-accumulation paid absences and termination benefits when the event occurs; and**

**b) all other employee benefits when an employee has rendered the services that entitles the employee to consideration.**

**A provision for employee benefits is measured at the undiscounted future outflow expected to be required (including consideration of future pay increases) to settle the present obligation.**

**The Board has not yet determined the form of guidance to be developed to support preparers in determining the likelihood that an outflow of economic benefits that will be required to settle these obligations.**

**Do you agree? Why or why not? If you disagree with the Board's view, do you prefer other alternatives, for example Tier 3 requirements should require future outflows of employee benefits expenses to be discounted? Please specify and explain why.**

**Are you aware of any industry-specific probability guidance that relates to employee benefits such as a long service leave? Please specify the source of that guidance.**

We agree with the Board's view around employee benefits as we believe it is the appropriate proportionate response for smaller not-for-profit entities.

**Question 44**

**Paragraph 5.200 discusses that the Board has not developed any other special requirements for accounting for termination benefits and defined benefit plans.**

**Do you agree? Why or why not? If you disagree with the Board's view, do you prefer other alternatives? Please specify and explain why.**

We agree with the Board's view as we believe this is the proportionate response to smaller not-for-profit entities which are unlikely to have defined benefit plans or incur termination benefits.

**Question 45**

**Paragraph 5.201 to 5.219 discuss the Board's preliminary view that Tier 3 reporting requirements would be similar to those specified in the New Zealand Tier 3 reporting requirements for the following topics:**

a) **commitments (disclosed in the notes to the financial statements);**

b) **events after reporting period;**

c) **expenses;**

d) **foreign currency transactions;**

e) **income taxes;**

f) **going concern;**

g) **offsetting; and**

h) **provisions, contingent liabilities and contingent assets.**

**Do you agree? Why or why not? If you disagree with the Board's view, do you prefer other alternatives? Please specify and explain why.**

We agree with the Board's view around the selected topics although we note that income tax may not be highly relevant for many not-for-profit entities as they are commonly tax-exempt.

**Question 46**

**Paragraphs 6.1 to 6.11 discuss the Board's preliminary view that disclosure requirements for Tier 3 not-for-profit private sector entities should be developed based on the following principle:**

a) **for transactions where there is a recognition and measurement difference between Tier 3 reporting requirements and Tier 2 general purpose financial statements, Tier 3 reporting requirements will:**

   i. **adopt appropriate disclosure requirements from comparable jurisdictions, pronouncements or frameworks, if available; or**

   ii. **develop fit-for-purpose disclosure requirements if there are no comparable recognition and measurement requirements from other jurisdictions, pronouncements or frameworks. Fit-for-purpose disclosure requirements could be developed based on the disclosure requirements in AASB 1060 where the recognition and measurement requirements could be analogised to the Tier 3 reporting requirements.**

b) **for transactions where the recognition and measurement requirements for Tier 3 reporting requirements are the same as, or similar to, the corresponding recognition and measurement requirements for Tier 2 general purpose financial statements, the disclosure requirements in AASB 1060 will be used as a starting point with further consideration of simplifications that may be appropriate**

**Do you agree? Why or why not? If you disagree, what alternative approach do you suggest? Please specify and explain why.**

We agree with the Board's view around the development principles of disclosure requirements for Tier 3 not-for-profit private sector entities. We believe the AASB 1060 disclosure requirements are an appropriate basis to use as a starting point with further simplifications to be made for Tier 3 not-for-profit entities.

**Question 47**

**Paragraphs 6.12 discusses the Board's preliminary view on the disclosure requirements for property, plant and equipment, and investment property would be for:**

a) **initial measurement of non-financial assets acquired at significantly less than fair value – develop fit-for-purpose disclosures based on AASB 1060 as required for concessionary leases; and**

b) **subsequent measurement of property, plant and equipment – adopt AASB 1060 disclosures with simplification of the language. No specific disclosures required for borrowing cost.**

**Do you agree with the Board's preliminary view? Why or why not? If you disagree, do you prefer alternative disclosure requirements? Please specify and explain why.**

We agree with the Board's view around the disclosure requirements for property, plant and equipment, and investment property as we believe it is the appropriate proportionate response for smaller not-for-profit entities.

We believe using the equivalent Tier 2 disclosure requirements as the starting point to develop fit-for-purpose Tier 3 disclosure requirements will help facilitate comparability between tiers and reduce the reporting burden via necessary simplifications of the requirements.

**Question 48**

**Paragraphs 6.13 discusses the Board's preliminary view on the disclosure requirements for leases would be for:**

a) **lessee – adopt IFRS for SMEs Standard disclosures for operating leases; and**

b) **lessor – adopt AASB 1060 disclosures for operating leases with simplification of the language.**

**Do you agree with the Board's preliminary view? Why or why not? If you disagree, do you prefer alternative disclosure requirements? Please specify and explain why.**

We agree with the Board's view around the disclosure requirements for leases as we believe it is the appropriate proportionate response for smaller not-for-profit entities. Consistent with our response to question 41, we believe that if leases are off balance sheet, it is important to have clear disclosures (e.g., the lease term, lease liability and lease commitments) to help users understand the lease arrangements in place. On that note, we find the example disclosures of leases in Paragraph 6.13 of the DP to be adequate to achieve this purpose.

**Question 49**

**Paragraph 6.14 discusses the Board's preliminary view on the disclosure requirements for changes in accounting policies and correction of errors would be for:**

a) **changes in accounting polices – develop fit-for-purpose disclosures based on AASB 1060 and removing non-applicable disclosures; and**

b) **correction of errors – adopt New Zealand Public Benefit Entity Simple Format Reporting – Accrual (Not-for-Profit).**

**Do you agree with the Board's preliminary view? Why or why not? If you disagree, do you prefer alternative disclosure requirements? Please specify and explain why.**

We agree with the Board's view around the disclosure requirements for leases as we believe it is the appropriate proportionate response for smaller not-for-profit entities.