

9 March 2022

Dr Keith Kendall
Chair
Australian Accounting Standards Board
Podium Level,
Level 14, 530 Collins Street,
Melbourne VIC 3000

By email: standard@asb.gov.au

Dear Dr Kendall,

Response to AASB ED 318 Illustrative Examples for Income of Not-for-Profit Entities and Right-of-Use Assets arising under Concessionary Leases

We welcome the opportunity to provide the Australian Accounting Standards Board ("AASB", "the Board") with our views on Exposure Draft ED 318.

Nexia Australia Pty Ltd represents the seven independent chartered accounting firms comprising the Nexia Australia network with 77 partners providing accounting, assurance, tax, and consulting services to small to medium enterprises, large private companies, not-for-profit entities, and listed public companies.

We make the following limited comments on the Exposure Draft. The following paragraph numbers correspond to the questions in the Exposure Draft.

- 1. Do you agree that the proposed amendments to the AASB 15 and AASB 1058 illustrative examples provide appropriate illustration of the application of the recognition and measurement requirements of the Standards?*

We disagree with the proposals and recommend that the Board do not proceed with the amendments in their entirety.

The AASB has indicated its intention to undertake a Post Implementation Review of AASB 1058 and AASB 15 NFP guidance during 2022. We recommend deferring any piecemeal NFP amendments to AASB 15 and AASB 1058 until that review has occurred and the Board has addressed all stakeholders' concerns with those standards. Furthermore,

- in our opinion, paragraph IE4A and Example 7A do not add any useful guidance that does not already exist within IFRS 15 and the AASB Staff's FAQ, and the amendments have the potential to confuse and mislead users. We are also concerned that the example contains technical and drafting errors that do not achieve the stated reasons for making the amendments.

These include, but are not limited to:

- if the Board's intent was to illustrate a broader example than the school example contained in the AASB's Staff FAQ, the proposed fact set should not include a fixed 2 year contract period, otherwise users may interpret the analysis as not applying to non-fixed contract periods; and

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- the example concludes that contact is enforceable because “the client would either enforce the agreement or obtain remedy under Australian law if the organisation did not provide services in the agreed-upon years”. However, AASB 15 does not require a customer to enforce an agreement, only that it is capable of being enforced.

ii) In respect of paragraph 6 and Example 3 of AASB 1058:

In our opinion, the amendments introduce numerous technical errors regarding the reasons and bases for the conclusions reached which have the potential for users to draw incorrect conclusions on alternative fact sets. In addition, the amendments are deficient in that they do not address that the settlement of cash scholarship liabilities do not give rise to income.

Because we disagree with the proposals in their entirety, we have not provided a full list of all our specific drafting concerns with Example 3.

2. *In respect of not-for-profit private sector lessees, do you agree with the proposal that the current accounting policy choice in AASB 16 paragraphs Aus25.1–Aus25.2 should be retained on an ongoing basis?*

We agree with the proposal.

3. *Do you agree that the disclosures required by AASB 16 (paragraphs Aus59.1–Aus59.2) provide sufficient information to users of financial statements in the absence of fair value information? Are there any other disclosures regarding concessionary leases that would be useful to users of financial statements without incurring undue cost or effort for preparers?*

In our opinion, the existing disclosures in paragraphs Aus59.1–Aus59.2 are sufficient and no additional disclosures regarding concessionary leases are necessary.

5. *Disclosures relating to concessionary leases of not-for-profit public sector lessees*

We have no objections to the proposal.

Should you wish to discuss any aspects of our submission, please contact the undersigned.

Sincerely

Nexia Australia Pty Ltd



Martin Olde

National Technical Director