



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 225
18 September 2023

Welcome to the AASB Action Alert

The AASB Board met in public on 13 – 14 September 2023. At the meeting, the Board made key decisions in relation to:

[Climate-related Financial Disclosure – Exposure Draft](#)

[Climate-related Financial Disclosure – Due Process and Standard-Setting Frameworks](#)

[Not-for-Profit Private Sector Financial Reporting Framework](#)

[Post-implementation Review of IFRS 9 – Impairment](#)

[Tier 2 – International Tax Reform – Pillar Two Model Rules](#)

The Board also discussed the following topics:

[Sustainability Reporting Update](#)

[Research Update](#)

Climate-related Financial Disclosure – Exposure Draft

The Board discussed a draft Exposure Draft of its Climate-related Financial Disclosure Standards and decided on a 90-day public consultation period. The Exposure Draft is expected to be published in October 2023, following publication by Treasury of a Position Paper.

Climate-related Financial Disclosure – Due Process and Standard-Setting Frameworks

To support its ongoing work on developing Climate-related Financial Disclosure Standards for Australia, the Board discussed and finalised the *AASB Due Process Framework for Setting Australian Sustainability Reporting Standards* and the *AASB Sustainability Reporting Standard-Setting Framework*.

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Not-for-Profit Private Sector Financial Reporting Framework

The Board decided to include the following proposals or approaches in the Tier 3 Exposure Draft:

- (a) allow entities to apply an accounting policy permitted or required by Tier 1 or Tier 2 Australian Accounting Standards that is not included in the Tier 3 Standard only where a transaction, other event or condition is not addressed by the Tier 3 Standard;
- (b) in respect of transactions, other events and conditions not specifically addressed in the Tier 3 Standard, require entities preparing Tier 3 general purpose financial statements to apply judgement in developing their accounting policies by reference to the following sources, in descending order:
 - (i) the Tier 3 principles and reporting requirements dealing with similar and related issues; and
 - (ii) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Conceptual Framework, to the extent they do not conflict with Tier 3 reporting requirements.

In making this judgement, management may also consider the requirements and guidance in Tier 2 (Australian Accounting Standards – Simplified Disclosures);

- (c) address business combinations and goodwill, other intangible assets, consolidation, investments in associates and joint ventures, and investment property in the Tier 3 Standard;
- (d) require entities to apply the Tier 2 requirements for:
 - (i) biological assets;
 - (ii) accounting by an operator of a service concession arrangement;
 - (iii) complex financial instruments;
 - (iv) insurance contracts;
 - (v) the exploration for and evaluation of mineral resources;
 - (vi) obligations arising under a defined benefit plan;
 - (vii) share-based payment arrangements; and
 - (viii) assets held for sale; and
- (e) a single Conceptual Framework should apply to not-for-profit entities reporting under any tier of Australian Accounting Standards.



Post-implementation Review of IFRS 9 – Impairment

The Board deliberated its response to the IASB's *Request for Information on Post-implementation Review of IFRS 9 Financial Instruments – Impairment*. The Board decided to address a range of matters in its submission to the IASB, including the need for the following:

- (a) illustrative examples that would help entities to apply requirements on the use of a reasonable number of scenarios to enhance consistency of application;
- (b) additional guidance regarding whether an asset originated from a modified or restructured financial instrument is credit impaired;
- (c) additional guidance on substantial modifications of contractual cash flows of financial assets; and
- (d) further research into the appropriateness of the impairment disclosure requirements in IFRS 7 *Financial Instruments: Disclosures*.

Tier 2 – International Tax Reform – Pillar Two Model Rules

The Board voted to make Accounting Standard AASB 2023-4 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules: Tier 2 Disclosures*. This Standard amends AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* to require a Tier 2 entity to disclose whether it applies the mandatory temporary exception to accounting for deferred taxes arising from the implementation of the Pillar Two model rules and any current tax expense related to Pillar Two income taxes.

The Standard applies to annual periods beginning on or after 1 January 2023 that end on or after 30 September 2023, with earlier application permitted.

Sustainability Reporting Update

The Board received an update on international and jurisdictional sustainability reporting developments.

Research Update

The Board noted recent and upcoming Research Centre activities, including:

- (a) the release of:
 - (i) AASB Research Report 19 *Common Financial Statement Items: Charities with \$0.5-3 million in revenue* (April 2023); and
 - (ii) AASB-AUASB Research Report *Australian Listed Entities: Recognised intangible assets and key audit matters* (May 2023);



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- (b) progress on the following research reports:
- (i) crypto assets and related accounting challenges identified by Australian stakeholders, to be released in September;
 - (ii) the usefulness of the IFRS/AASB Practice Statement 2 *Making Materiality Judgements*, to be released in October; and
 - (iii) the effects of accounting standards on the cost of capital, which is expected to be released in December;
- (c) the completed AASB Dialogue Series sessions:
- (i) the May 2023 AASB-AUASB joint session that focused on accounting and auditing issues related to going concern disclosures; and
 - (ii) the July 2023 Special Webinar *Insights and application of normative and empirical research in standard setting and accounting practice*, which discussed the importance of research and academic papers in contributing to standard-setting activities;
- (d) the upcoming October 2023 AASB Dialogue Series session, which will discuss the difficulties of navigating accounting standards and provide suggestions, such as using the AASB pronouncements web portal, for overcoming these challenges;
- (e) the upcoming 2023 AASB Research Forum, which will be held on 24 November in Brisbane. The Forum will also be broadcast at a Melbourne venue, attended by the AASB Chair, and will also be accessible through a virtual platform; and
- (f) the call for expressions of interest to present research papers at the 2024 AASB Research Forum.

Recently Approved Documents

Since last reported (10 August 2023), the Board has approved the following Standards, Exposure Drafts or other proposal documents.

Date Approved	Document	Effective Date (Standards/Int'ns) or Due Date for Submissions (EDs)
14 September 2023	AASB 2023-4 <i>Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules: Tier 2 Disclosures</i>	1 January 2023 that end on or after 30 September 2023



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Documents Open for Comment

The following documents are open for comment. AASB submissions to the IASB, the ISSB, the IFRS Interpretations Committee, the IFRS Foundation, the IPSASB and other organisations are published on the AASB website.

Issuer	Document	AASB No.	AASB Due Date	Other Organisation Due Date
ISSB	Proposed IFRS Sustainability Disclosure Taxonomy	–	–	26 September 2023
AASB	ITC 52 Request for Comment on IASB Request for Information on Post-implementation Review of IFRS 9 Financial Instruments – Impairment	ITC 52	closed	27 September 2023 (IASB)
AASB	ITC 53 Request for Comment on IASB Request for Information on Post-implementation Review of IFRS 15 Revenue from Contracts with Customers	ITC 53	closed	27 October 2023 (IASB)
AASB	ITC 54 Post-implementation Review of AASB 1056 Superannuation Entities and Interpretation 1019 The Superannuation Contributions Surcharge	ITC 54	10 November 2023	–

AASB Board Future Meeting Dates

11 October 2023

29-30 November 2023

October 2023 AASB meeting

The Board is expected to address the following agenda items:

Climate-related Financial Disclosures

Post-implementation Review – Income of Not-for-Profit Entities

Post-implementation Review – IFRS 15 (ITC 53)

Tier 2 (AASB 1060) – Supplier Finance Arrangements and Lack of Exchangeability