



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 237
12 November 2024

Welcome to the AASB Action Alert

The AASB Board met in public and in private on 7 November 2024. At the meeting, the Board made key decisions in relation to:

[Climate-related and Other Uncertainties in Financial Statements](#)

[AASB 1048 Interpretation of Standards](#)

[Further Deferral of 2014 Amendments to AASB 10 and AASB 128](#)

[Climate-related Financial Disclosures – Not-for-Profit Public Sector Entities](#)

The Board also discussed the following topics:

[Equity Method of Accounting](#)

[Research and Post-implementation Review Activities](#)

Climate-related and Other Uncertainties in Financial Statements

The Board discussed the proposals in IASB ED/2024/6 *Climate-related and Other Uncertainties in the Financial Statements* (AASB ED 331) and considered the feedback received from stakeholders. The Board noted that illustrative examples could help some entities (particularly smaller entities) to improve their reporting of the effects of climate-related and other uncertainties in the financial statements but was concerned that the examples could become de facto rules.

The Board recommends the following improvements to the illustrative examples proposed by the IASB to accompany the IFRS Accounting Standards:

- (a) Example 1 – explain the reasons why the disclosure of additional information might be required, such as the importance of the assets to the entity's operations;

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- (b) Example 2 – provide more details in the fact pattern on the effect of greenhouse gas emissions on the entity’s measurement of assets and liabilities to enhance understanding of the conclusion that additional disclosures would not be required;
- (c) Example 3 should include the effect of the key assumptions on the value in use determination (including asset terminal value) and illustrate the cash flow uncertainty, as well as clarify the accounting implications of emission allowances;
- (d) amend the fact pattern in Example 5 to state that the deferred tax asset is a material asset and better explain the reasons for additional disclosures;
- (e) broaden the fact pattern in Example 6 so that it applies to entities generally, and not just financial institutions, in considering the entity’s customers’ operations that could be affected by climate-related risks and the entity’s credit risk concentrations; and
- (f) extend Example 8 to address whether the same conclusion applies under the requirements of IAS 1 *Presentation of Financial Statements* as under IFRS 18 *Presentation and Disclosure in Financial Statements*.

AASB 1048 *Interpretation of Standards*

The Board voted to make a new principal version of Accounting Standard AASB 1048 *Interpretation of Standards* to update the tables of Interpretations and conceptual framework pronouncements. The effective date of the new version of AASB 1048 is annual reporting periods ending on or after 31 December 2024.

This version lists Interpretations as amended by AASB 18 *Presentation and Disclosure in Financial Statements* – those amendments mainly replace references to AASB 101 *Presentation of Financial Statements* with references to AASB 18 and refer to the new title of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, which was changed to *Basis of Preparation of Financial Statements*. In addition, it also lists Interpretations and the *Conceptual Framework for Financial Reporting* as amended by AASB 2021-7 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*.

The updating of AASB 1048 is required as a result of the legal consequences of Interpretations and conceptual framework pronouncements as “external documents” (i.e. non-legislative instruments), to give legal effect to amended versions of Interpretations to maintain IFRS compliance under Australian Accounting Standards and to update references in the Standards to conceptual framework pronouncements when they have been amended.



Further Deferral of 2014 Amendments to AASB 10 and AASB 128

The Board voted to make Accounting Standard AASB 2024-4 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*. This Standard further defers the effective date of amendments made in 2014 to AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* regarding the equity method of accounting, to annual periods beginning on or after 1 January 2028.

The amendments to AASB 10 and AASB 128 were set out originally in AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. Their existing deferred effective date is annual periods beginning on or after 1 January 2025. Therefore, AASB 2024-4 applies to annual reporting periods beginning on or after 1 January 2025, in order to defer the effective date of the amendments from that date.

The equivalent IFRS amendments continue to be deferred indefinitely but can be applied by an entity. Due to Australian legal requirements, the Board is unable to defer the amendments indefinitely in the same way as the IASB, and so has deferred the amendments to a new later date to maintain compliance with IFRS Standards. Entities can apply the amendments early.

The Board noted that the new effective date of 1 January 2028 is also the date to which the New Zealand Accounting Standards Board has deferred the same amendments under New Zealand Accounting Standards.

Climate-related Financial Disclosures – Not-for-Profit Public Sector Entities

The Board discussed IPSASB Sustainability Reporting Standard Exposure Draft SRS ED 1 *Climate-related Disclosures*. The IPSASB developed the ED based on IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*. The Board observed the following key differences between the IPSASB SRS ED 1 proposals and AASB S2 *Climate-related Disclosures*:

- (a) IPSASB SRS ED 1 proposes the disclosure of climate-related risks and opportunities that could reasonably be expected to affect the long-term fiscal sustainability of an entity. This implies an objective broader than the objective of AASB S2, which is to require disclosure of information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term; and



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- (b) IPSASB SRS ED 1 proposes disclosure of information about the climate-related public policy programs for which an entity is responsible and their outcomes, including climate-related impacts on the economy, environment and people.

The Board noted that these are major differences from the requirements of AASB S2 and took the view that it would be premature for the Board to address such significant matters in the context of its current climate-related disclosure project objective. The Board therefore decided not to comment on the IPSASB ED.

The Board decided to undertake a research project to investigate both the information needs of users of climate-related financial information of not-for-profit public sector entities and guidance that might be needed to assist such entities to apply AASB S2. As part of this project, the Board plans to consider the results of initiatives of governments in Australia to introduce mandatory climate-related disclosures for their public sector entities.

Equity Method of Accounting

The Board received a verbal update on feedback received to date from Australian stakeholders on the proposals presented in IASB ED/2024/7 *Equity Method of Accounting*, which proposes to revise IAS 28 *Investments in Associates and Joint Ventures*. The comment period for AASB ED 333 *Equity Method of Accounting*, which incorporates the IASB ED, closes on 22 November 2024.

As the IASB's comment period closes on 20 January 2025, prior to the next meeting of the Board, the Board delegated to the AASB Chair final approval of the Board's submission on the IASB ED.

Research and Post-implementation Review Activities

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

- (a) the progress of the research projects on the:
- (i) statement of cash flows and other related information;
 - (ii) intangible assets project, focusing on the presentation and disclosures regarding customer relations; and
 - (iii) reporting of carbon offsetting in annual reports;
- (b) the progress of post-implementation reviews (PIRs), including the publication of a feedback statement to complete the PIR on income of not-for-profit entities (see also ITC 50) and the resumption of work in respect of the PIR on the not-for-profit topics of control, structured entities,



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- related party disclosures and the basis of preparation of special purpose financial statements (refer to ITC 51);
- (c) the June 2024 Dialogue Series session, which discussed valuation-related matters in financial reporting, and the upcoming December 2024 session on carbon offsetting disclosures in annual reports; and
- (d) the release of AASB SSRN Working Papers:
- (i) Working Paper No. 24-04: *Market Reactions to Pronouncements on New Lease Accounting Standard* (Dr Jia Wei, Professor Mark Wilson, Professor Louise Yi and Professor Marvin Wee); and
 - (ii) Working Paper No. 24-05: *Real Effect and Segment Disclosure Policy: Implications for Investment Decision, Cost of Capital and Firm Value* (Dr Cynthia Cai, Dr Viet Nga Cao, Professor Greg Clinch and Matthew Sek).

Recently Approved Documents

Since last reported (Action Alert, 23 September 2024), 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)
2 October 2024	ED 333 Equity Method of Accounting	22 November 2024
25 October 2024	ED 334 Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements	28 February 2025
25 October 2024	ED 335 General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities	28 February 2025
7 November 2024	AASB 1048 <i>Interpretation of Standards</i>	31 December 2024
7 November 2024	AASB 2024-4 <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128</i>	1 January 2025



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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
AASB	ED 333 Equity Method of Accounting	ED 333	22 November 2024	20 January 2025
IASB	ED/2024/4 Translation to a Hyperinflationary Presentation Currency	–	–	22 November 2024
AASB	ED 331 Climate-related and Other Uncertainties in the Financial Statements	ED 331	closed	28 November 2024
IPSASB	ED 90 Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement	–	–	29 November 2024
IPSASB	ED 91 Limited-scope Updates to First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS) (Amendments to IPSAS 33)	–	–	13 December 2024
AASB	ED 334 Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements	ED 334	28 February 2025	–
AASB	ED 335 General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities	ED 335	28 February 2025	–
IPSASB	ED 92 Tangible Natural Resources	–	–	28 February 2025
IPSASB	ED SRS 1 Climate-related Disclosures	–	–	28 February 2025

AASB Board Future Meeting Dates

2025 meeting dates TBD

Next AASB meeting

The Board is expected to address the following agenda items:

AASB 1060 – comparison with IFRS 19

Climate-related Financial Disclosure

IASB ED on Provisions – Targeted Improvements

Not-for-Profit Private Sector Financial Reporting Framework

Service Performance Reporting