



# AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 223  
26 June 2023

## Welcome to the AASB Action Alert

The AASB Board met in public on 21 – 22 June 2023. At the meeting, the Board made key decisions in relation to:

[AASB Work Plan](#)

[Climate-related Financial Disclosure](#)

[Not-for-Profit Private Sector Financial Reporting Framework \(Tier 3\)](#)

[Post-implementation Review of AASB 1059](#)

[Post-implementation Review of AASB 1056](#)

[Supplier Finance Arrangements](#)

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

[Non-current Liabilities with Covenants \(Tier 2\)](#)

The Board also discussed the following topics:

[Financial Instruments – Classification and Measurement](#)

[Franking Credit Disclosures](#)

[ISSB Methodology re SASB Standards](#)

[ISSB Agenda Consultation](#)

[Sustainability Reporting Update](#)

## AASB Work Plan

The Board approved a revised AASB work plan in relation to sustainability reporting projects and high-priority financial reporting projects. The current projects were reprioritised to support an increased focus

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on sustainability reporting projects over the next year as well as reflecting the resourcing constraints that the AASB currently faces. The work plan will be reviewed regularly and updated to reflect changes in priorities.

### Climate-related Financial Disclosure

The Board decided to expand the scope of the Climate-related Financial Disclosure project, previously limited to the for-profit sector, to explore the development of sector-neutral Australian climate-related financial disclosure requirements.

### Not-for-Profit Private Sector Financial Reporting Framework (Tier 3)

The Board considered the application of the previously agreed approach to drafting proposed requirements to be included in the Tier 3 Exposure Draft to the selected topics of Property, Plant and Equipment, Fair Value Measurement and Borrowing Costs. The Board also received an update on the project. No decisions were made.

### Post-implementation Review of AASB 1059

The Board commenced its review of respondents' comments on Invitation to Comment ITC 49 *Post-implementation Review of AASB 1059 Service Concession Arrangements: Grantors*. The Board noted that most of the comments relating to the scope and asset control criteria of AASB 1059 raised matters that the Board had previously considered in developing AASB 1059.

Nevertheless, the Board decided that further consultation with key ITC respondents would be useful to:

- (a) clarify whether their concerns with the scope and asset control criteria are related to:
  - (i) disagreement with the concepts underlying AASB 1059 paragraphs 2 and 5;
  - (ii) challenges experienced in applying those underlying concepts; or
  - (iii) disagreement with the result of applying AASB 1059 to certain types of transactions; and
- (b) obtain further input on specific topics where additional guidance and clarification are sought.

The Board will consider the remaining feedback received on ITC 49 (including comments on the recognition and measurement requirements of AASB 1059) and further stakeholder input on the scope and asset control criteria at a future meeting.

### Post-implementation Review of AASB 1056

The Board considered further feedback from stakeholders during the planning phase of the post-implementation review (PIR) of AASB 1056 *Superannuation Entities* and Interpretation 1019 *The*



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*Superannuation Contributions Surcharge*. The Board approved the issue of an Invitation to Comment (ITC) that will include the following topics:

- (a) the level of financial reporting, including sub-fund reporting;
- (b) the statement of changes in member benefits;
- (c) the classification and disclosure of revenue and expenses;
- (d) fair value asset measurement;
- (e) insurance arrangements;
- (f) subsidiaries (and consolidation); and
- (g) trends affecting superannuation entity financial reporting.

The ITC will be issued for a 120-day comment period.

### Supplier Finance Arrangements

The Board voted to make Accounting Standard AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements*. AASB 2023-1 makes amendments to AASB 107 *Statement of Cash Flows* and AASB 7 *Financial Instruments: Disclosures* to require an entity to provide additional disclosures about its supplier finance arrangements. The additional information will enable users of financial statements to assess how supplier finance arrangements affect an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments require an entity to disclose the terms and conditions of the arrangements, the carrying amount of the liabilities that are part of the arrangements, the carrying amounts of those liabilities for which the suppliers have already received payment from the finance providers, the range of payment due dates and the effect of non-cash changes.

The amendments apply to annual periods beginning on or after 1 January 2024, with earlier application permitted.

### International Tax Reform – Pillar Two Model Rules

The Board voted to make Accounting Standard AASB 2023-2 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules*. AASB 2023-2 amends AASB 112 *Income Taxes* to introduce:



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- (a) a mandatory temporary exception to accounting for deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD); and
- (b) targeted disclosure requirements to help financial statement users better understand an entity's exposure to income taxes arising from the reform, particularly in periods before legislation implementing the rules is in effect.

The amendments apply to annual periods beginning on or after 1 January 2023 that end on or after 30 June 2023, with earlier application permitted.

The Board also decided to issue an Exposure Draft proposing amendments to AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* that would introduce targeted disclosures for Tier 2 entities in periods when Pillar Two legislation is in effect. The mandatory temporary exception to deferred tax accounting under AASB 2023-2 applies to Tier 2 entities, as they are required to comply with the recognition requirements of AASB 112.

### **Non-current Liabilities with Covenants (Tier 2)**

The Board voted to make Accounting Standard AASB 2023-3 *Amendments to Australian Accounting Standards – Disclosure of Non-current Liabilities with Covenants: Tier 2*. AASB 2023-3 amends AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* to:

- (a) clarify that a liability is classified as non-current if an entity has the right at the reporting date to defer settlement of the liability for at least twelve months after the reporting date;
- (b) clarify the reference to settlement of a liability by the issue of equity instruments in classifying liabilities; and
- (c) require the disclosure of information that enables users of the financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The amendments apply to annual periods beginning on or after 1 January 2024, with earlier application permitted.

### **Financial Instruments – Classification and Measurement**

The Board deliberated its response to the IASB Exposure Draft ED/2023/2 *Amendments to the Classification and Measurement of Financial Instruments* (AASB ED 324). The Board decided to address a range of matters in its submission to the IASB, including the following:



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- (a) the IASB should consider whether the proposed guidance on the derecognition of a financial liability settled through electronic transfer would have consequences beyond clarifying current practice;
- (b) the proposed clarification on assessing whether contractual terms are consistent with the definition of a basic lending arrangement should address the classification principles, in addition to new illustrative examples, and explain how the requirement for a contingent event to be specific to a debtor would apply in a group context; and
- (c) the objective of the proposed disclosure of contractual terms that could change the timing or amount of contractual cash flows should be clarified and the costs of the disclosure assessed relative to the expected benefits to financial statement users.

### Franking Credit Disclosures

The Board decided not to make any amendments to the existing franking credit disclosure requirements in AASB 1054 *Australian Additional Disclosures*. In making this decision, the Board considered feedback obtained from limited outreach activities that indicated that the issues raised by stakeholders during the AASB's recent Agenda Consultation are not of such significance or prevalence to warrant amendment of the Standard. Therefore, the Board decided to close the project and remove it from the AASB Work Plan.

### ISSB Methodology re SASB Standards

The Board decided to highlight the following key matters in its submission to the International Sustainability Standards Board's (ISSB) Exposure Draft (ED) *Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates*:

- (a) the exclusion from the scope of the ED of climate-related industry-based metrics in SASB Standards that are to be amended to align with the forthcoming ISSB industry-based illustrative examples means that those metrics will be amended without public consultation;
- (b) the exclusion from the ED of how non-climate-related industry-based metrics in SASB Standards have been (or will be) identified for amendment and the amendments to be proposed to those metrics, which prevents a comprehensive assessment of the subsequent amendments;
- (c) the lack of internationalisation of the SASB Sustainable Industry Classification System (SICS), which is different to the Australian and New Zealand Standard Industrial Classification 2006 (ANZSIC); and
- (d) the exclusion from the scope of the ED of any amendments that would significantly change the structure or original intent of the SASB Standards merely assumes the international decision-usefulness of the SASB Standards.



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### ISSB Agenda Consultation

The Board decided to highlight the following key matters in its submission to the ISSB's Request for Information *Consultation on Agenda Priorities* (RFI):

- (a) the ISSB should focus on supporting implementation of its IFRS Sustainability Disclosure Standards to achieve its objective of establishing a global baseline of sustainability-related financial disclosure requirements;
- (b) the four topics identified in the ISSB RFI (biodiversity, ecosystems and ecosystem services, human rights, human capital, and integration in reporting) are suitable topics for the ISSB to engage in further research to support its future standard-setting activities. However, the Board recommends the ISSB prioritise the development of a conceptual framework to support its future standard-setting activities; and
- (c) the four topics identified in the ISSB RFI are broad topics. Each topic contains multiple sub-topics that may be better addressed through separate or targeted projects rather than a single overarching project that may not appropriately address the sustainability-related financial risks and opportunities of those sub-topics.

### Sustainability Reporting Update

The Board received an update on international and jurisdictional sustainability reporting developments, including the work of the ISSB, the Global Reporting Initiative (GRI) and the International Public Sector Accounting Standards Board (IPSASB).

### Recently Approved Documents

Since last reported (9 May 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)
17 May 2023	Fatal-Flaw Review Draft <a href="#">AASB 1056 Superannuation Entities</a>	15 June 2023
6 June 2023	ITC 52 <a href="#">Request for Comment on IASB Request for Information on Post-implementation Review of IFRS 9 Financial Instruments – Impairment</a>	18 August 2023





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Date Approved	Document	Effective Date (Standards/Int'ns) or Due Date for Submissions (EDs)
22 June 2023	AASB 2023-1 <i>Amendments to Australian Accounting Standards – Supplier Finance Arrangements</i>	1 January 2024
22 June 2023	AASB 2023-2 <i>Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules</i>	1 January 2023 but ending 30 June 2023 or later
22 June 2023	AASB 2023-3 <i>Amendments to Australian Accounting Standards – Disclosure of Non-current Liabilities with Covenants: Tier 2</i>	1 January 2024

## 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
IASB	ED/2023/3 <a href="#">International Tax Reform—Pillar Two Model Rules: Proposed amendments to the IFRS for SMEs Standard</a>	–	–	17 July 2023
AASB	ED 324 <a href="#">Amendments to the Classification and Measurement of Financial Instruments</a>	<a href="#">ED 324</a>	closed	19 July 2023 (IASB)
ISSB	ED/2023/1 <a href="#">Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates</a>	–	–	9 August 2023
IFRS IC	<a href="#">Tentative Agenda Decision Merger between a Parent and Its Subsidiary in Separate Financial Statements (IAS 27)</a>	–	–	14 August 2023
AASB	ITC 52 <a href="#">Request for Comment on IASB Request for Information on Post-implementation Review of IFRS 9 Financial Instruments – Impairment</a>	<a href="#">ITC 52</a>	18 August 2023	27 September 2023 (IASB)
ISSB	Request for Information <a href="#">Consultation on Agenda Priorities</a>	–	–	1 September 2023



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### AASB Board Future Meeting Dates

9 August 2023

13-14 September 2023

11 October 2023

29-30 November 2023

### August 2023 AASB meeting

The Board is expected to address the following agenda items:

Climate-related Financial Disclosure

Not-for-Profit Private Sector Financial Reporting Framework

Sustainability Reporting