



<b>Project:</b>	n/a	<b>Meeting</b>	November 2019 (M173)
<b>Topic:</b>	<b>Documents open for comment by other organisations</b>	<b>Agenda Item:</b>	18.0
		<b>Date of the Agenda Paper:</b>	6 November 2019
<b>Contact(s):</b>	Helena Simkova <a href="mailto:hsimkova@asb.gov.au">hsimkova@asb.gov.au</a> 03 9617 7618	<b>Project Priority:</b>	Low
		<b>Decision-Making:</b>	Low
		<b>Project Status:</b>	n/a

## Objective of this paper

- 1 The objective of this paper is to:
  - (a) inform the Board about consultative documents already issued or to be issued by other international standard-setting bodies; and
  - (b) ask the Board to decide which consultative documents to provide feedback/comments on.

## Reasons for bringing this paper to the Board

- 2 The Board's strategy is to influence the work of the International Accounting Standards Board (IASB), International Public Sector Accounting Standards Board (IPSASB) and other relevant international organisations with a goal of having the principles in the Standards issued by these organisations aligned, where relevant and possible.
- 3 Historically, the Board has decided which consultation documents to comment on based on factors such as the relevance and importance of the consultation to the AASB's projects and strategies, the potential impact of the proposals on Australian constituents and the priority of projects as decided by the Board. This agenda paper will assist the Board in prioritising and deciding which consultation documents it should comment on.

## Documents currently open for comment – Exposure Drafts

Originating organisation	Document	Date of release	AOSSG input	Comments due	Staff recommendation for AASB approach
IASB	None for the period since the last Board meeting in September 2019.				We have recently received 3 submissions (refer to Agenda paper 18.1) relating to ED/2019/6 Disclosure of Accounting Policies. As the comments are similar to the feedback we provided to IASB staff in the past, Staff recommend to the Board not to comment to IASB.  No action needed.
IPSASB	None for the period since the last Board meeting in September 2019.				

## Documents currently open for comment – Tentative Agenda Decisions

Originating organisation	Document	Comments due	Staff recommendation for AASB approach
IFRS Interpretations Committee (IFRIC)	<a href="#">Tentative Agenda Decision—Translation of a Hyperinflationary Foreign Operation: Presenting Exchange Differences (IAS 21 and IAS 29)</a>	25 November 2019	Staff recommend that the Board does not comment to the IFRIC based on the IFRIC's analysis of the request. This is not an area of concern for Australian constituents.  The underlying fact pattern in the request is, the entity: <ul style="list-style-type: none"> <li>a) has a presentation currency that is not the currency of a hyperinflationary economy as defined in IAS 29;</li> <li>b) has a foreign operation with a functional currency that is the currency of a hyperinflationary economy as defined in IAS 29 (hyperinflationary foreign operation); and</li> </ul>

			<p>c) translates the results and financial position of the hyperinflationary foreign operation into its presentation currency in preparing its consolidated financial statements.<sup>1</sup></p> <p>The request asked how the entity presents the restatement and translation effects in its statement of financial position.</p> <p>The IFRIC concluded that there were two alternative presentations which may apply to the hyperinflationary fact pattern, and the presentation would depend on whether the effects meet the definition of an exchange difference in IAS 21.</p> <p>The IFRIC has not yet obtained evidence that a project would result in an improvement in financial reporting that would be sufficient to outweigh the costs, and decided not to add the matter to its standard-setting agenda.</p>
IFRS Interpretations Committee (IFRIC)	<a href="#">Tentative Agenda Decision—Training Costs to Fulfil a Contract (IFRS 15)</a>	25 November 2019	<p>Staff agree with the conclusions reached by the IFRS IC and recommend that the Board does not comment to the IFRIC based on the IFRIC’s analysis of the request.</p> <p>The underlying fact pattern in the request is:</p> <ul style="list-style-type: none"> <li>a) an entity enters into a contract with a customer that is within the scope of IFRS 15. The contract is for the supply of outsourced services.</li> <li>b) to be able to provide the services to the customer, the entity incurs costs to train its employees (as described in paragraph 15 of IAS 38) so that they understand the customer’s equipment and processes. Applying IFRS 15, the entity does not identify the training activities as a performance obligation.</li> <li>c) the contract permits the entity to charge to the customer the costs of training (i) the entity’s employees at the beginning of the contract, and (ii) new employees that the entity hires as a result of any expansion of the customer’s operations.</li> </ul> <p>The request asked whether the entity recognises the training costs as an asset or an expense when incurred.</p>

<sup>1</sup> This underlying fact pattern is referred to throughout this staff paper as “the hyperinflationary fact pattern”.

			The IFRIC concluded that the principles and requirements in IFRS 15 and IAS 38 provide an adequate basis for an entity to determine its accounting for training costs incurred to fulfil a contract with a customer, and decided not to add this matter to its standard-setting agenda.
IFRS Interpretations Committee (IFRIC)	<a href="#">Tentative Agenda Decision—Presenting Comparative Amounts when a Foreign Operation First becomes Hyperinflationary</a>	25 November 2019	<p>Staff recommend that the Board does not comment to the IFRIC based on the IFRIC’s analysis of the request. This is not an area of concern for Australian constituents.</p> <p>Observing the hyperinflationary fact pattern, the request asked about the restatement of comparative amounts presented for the foreign operation in the entity’s annual and interim financial statements.</p> <p>The IFRIC considered responses to outreach requests and performed additional research. The IFRIC observed little, if any, diversity in the application of IAS 21 in this scenario. As the IFRIC has not yet obtained evidence that the matter has widespread effect, it decided not to add the matter to its standard-setting agenda.</p>
IFRS Interpretations Committee (IFRIC)	<a href="#">Tentative Agenda Decision—Definition of a Lease: Shipping Contract (IFRS 16)</a>	25 November 2019	<p>Staff agree with the conclusions reached by the IFRS IC and recommend that the Board does not comment to the IFRIC based on the IFRIC’s analysis of the request.</p> <p>The underlying fact pattern in the request is:</p> <ol style="list-style-type: none"> <li>a) there is an identified asset (the ship) applying paragraphs B13–B20 of IFRS 16.</li> <li>b) the customer has the right to obtain substantially all the economic benefits from use of the ship throughout the five-year period of use applying paragraphs B21–B23 of IFRS 16.</li> <li>c) many, but not all, of the relevant decisions about how and for what purpose the ship is used are predetermined in the contract. The customer has the right to make the remaining relevant decisions about how and for what purpose the ship is used throughout the period of use. Those decision-making rights are relevant because they affect the economic benefits to be derived from use of the ship.</li> <li>d) the supplier operates and maintains the ship throughout the period of use.</li> </ol>

			<p>The request asked whether the customer has the right to direct the use of a ship throughout the five-year term of a particular contract.</p> <p>The IFRIC concluded that the principles and requirements in IFRS 16 provide an adequate basis for an entity to determine its accounting for the contract described in the request, and decided not to add the matter to its standard-setting agenda.</p>
IFRS Interpretations Committee (IFRIC)	<a href="#">Tentative Agenda Decision—Cumulative Exchange Differences arising before a Foreign Operation becomes Hyperinflationary (IAS 21 and IAS 29)</a>	25 November 2019	<p>Staff recommend that the Board does not comment to the IFRIC based on the IFRIC’s analysis of the request. This is not an area of concern for Australian constituents.</p> <p>Observing the hyperinflationary fact pattern, the request asked about the reclassification within equity of cumulative pre-hyperinflation exchange differences.</p> <p>The IFRIC concluded that the principles and requirements in IAS 21 provide an adequate basis for an entity to determine how to present the cumulative pre-hyperinflation exchange differences when a foreign operation becomes hyperinflationary, and decided not to add the matter to its standard-setting agenda.</p>

**International Consultative Documents upcoming for comment/feedback – decision needed from Board as to**

Originating organisation	Document	Expected date of release	Summary issue
IASB	Primary financial statements	December 2019	<p>The IASB is developing new presentation requirements for the statement of financial position.</p> <p>This is a pervasive issue affecting all entities, which are IFRS compliant. AASB Staff recommend that Board provide feedback on this consultative document and propose doing outreach activities to obtain constituent feedback for AASB’s submission (refer to agenda item 16 - project plan on Primary Financial Statements for more details).</p>

IASB	Rate-regulated activities	H1 2020	<p>The IASB is developing an accounting model that will require rate-regulated companies to provide information about their incremental rights to add amounts and incremental obligations to deduct amounts in determining the future rates to be charged to customers for regulatory assets and regulatory liabilities.</p> <p>Staff will monitor the significance of the issue in Australia including feedback from constituents before recommending whether to comment.</p>
IPSASB	<p>Revenue with Performance Obligations (ED 70)</p> <p>Revenue without Performance Obligations (ED 71)</p> <p>Transfer Expenses (ED 72)</p>	December 2019	<p>The IPSASB is expected to approve the three EDs at the December 2019 IPSASB meeting. ED 70 and ED 71 would provide recognition and measurement requirements and guidance on revenue. ED 72 would provide recognition and measurement requirements applicable to providers of non-exchange transactions (such as providing grants and contributions, but excluding social benefits).</p> <p>Staff recommend that the Board comment to the IPSASB on ED 70 and ED 71. Even though the IPSASB is developing these revenue Standards based on IFRS 15 <i>Revenue from Contracts with Customers</i>, the IPSASB might take a different approach to AASB 1058 <i>Income of Not-for-Profit Entities</i> and Appendix F – Australian implementation guidance for not-for-profit entities that accompanies AASB 15. It would be useful for the AASB to comment to the IPSASB on any differences in accounting principles.</p> <p>Staff also recommend that the Board comment to the IPSASB on ED 72 as Australia currently does not have a Standard specifically on the recognition and measurement of expenses from the providers' perspective. Australian entities providing funds/grants to another entity could benefit from guidance on the recognition and</p>

			measurement of transfer expenses without performance obligations.
--	--	--	---

**Questions to the Board**

1. Does the Board agree with the above staff recommendations?
2. Does the Board have any other comments on the documents open for comment?