



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 201
10 March 2020

Welcome to the AASB Action Alert

The AASB Board met in public in Melbourne on 5 – 6 March 2020. At the meeting the Board made key decisions in relation to:

[Removal of SPFS & introduction of Simplified Disclosures for FP and NFP](#)

[Classification of Liabilities as Current or Non-Current](#)

The Board also discussed the following topics

[Fair Value Measurement for Not-for-Profit Entities](#)

[Concessionary leases of private sector not-for-profit entities](#)

[Not-for-Profit Entity Definition and Guidance \(ED 291\)](#)

[International Documents Open for Comment](#)

[Other business](#)

Removal of SPFS & introduction of Simplified Disclosures for FP and NFP

The following for-profit private sector entities will no longer be able to prepare Special purpose financial statements (SPFS) for reporting periods beginning on or after 1 July 2021:

- entities preparing financial statements under Part 2M.3 of the *Corporations Act 2001* including large proprietary (including grandfathered entities), unlisted public (other than companies limited by guarantee), small foreign-controlled companies, financial services licensees and small proprietary companies with crowd-sourced funding;
- co-operatives and mutuals and others required by legislation to prepare financial statements that comply with either Australian Accounting Standards (AAS) or accounting standards (AS);

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- trusts, partnerships and joint arrangements whose constituting document or another document requires the preparation of financial statements that comply with AAS if the relevant document was created or amended in any way on or after 1 July 2021;
- other for-profit entities (both private and public sector) that elect to prepare GPFS.

A revised Tier 2 general purpose financial statements (GPFS) framework, Australian Accounting Standards – Simplified Disclosures (SDS), will replace the current Reduced Disclosures Requirements framework (RDR) with the same effective date. Affected entities no longer able to prepare SPFS and those not-for-profit entities in both the private and public sector currently preparing GPFS in accordance with the RDR framework will transition to SDS. Transitional relief from restating comparative information is available only if an entity chooses to apply the requirements early. Not-for-profit entities that prepare SPFS are not affected, but their continued ability to prepare SPFS will be considered as part of the forthcoming Australian Financial Reporting Framework project for not-for-profit private sector entities.

Entities not required by legislation, constituting or other documents or for-profit public sector entities, which voluntarily prepare GPFS will be required to apply the revised *Conceptual Framework for Financial Reporting*.

The Board will issue the relevant Standards, *AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* and *AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*, on its website shortly. Educational material will also follow.

Additional disclosures for for-profit SPFS

As a consequence of the deferral of the effective date, the Board decided that for-profit private sector entities that prepare SPFS at 30 June 2021 (e.g. those transitioning to GPFS and trusts that have not amended their trust deed after 1 July 2021) will be required to make disclosures about their compliance with the R&M requirements in AAS, including consolidation and equity accounting, as proposed by *ED 293 Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Compliance with Recognition and Measurement Requirements*. The Board will consider this further in subsequent meetings as part of a separate sub-project.

Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities

Based on the feedback received the Board decided on the following changes in AASB 2020-2 from *ED 297 Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*:



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- to defer the effective date to annual reporting periods beginning on or after 1 July 2021, with transitional relief from restating comparative information available only to entities which elect to early adopt;
- extend transitional relief for early adoption to entities that have previously prepared SPFS and complied with all recognition and measurement (R&M) requirements. Such entities do not need to present comparative information for those disclosures that they had not previously made;
- entities applying the transitional relief for early adoption shall disclose the comparative period statement of financial position unadjusted as per their latest SPFS (consistent with presentation of the statement of profit or loss, other primary financial statements and the notes); and
- entities applying the transitional relief for early adoption are required to disclose a reconciliation of equity from the latest SPFS to the adjusted opening balances.

In addition, the Board decided to not require an entity to distinguish the correction of prior period errors from changes in accounting policies in the year of transition as a practical expedient to achieve consistent, comparable, transparent and enforceable financial reporting in a timely manner.

General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

A few minor amendments were agreed at the Board meeting, including:

- aligning the presentation and disclosure requirements for assets and liabilities classified as held for sale or in a discontinued operation with those required under full Australian Accounting Standards;
- removing disclosures that are not required under full IFRS and that had been removed from full IFRS since the original IFRS for SMEs Standard had been finalised;
- adding the disclosure of a numerical tax reconciliation consistent with the requirements in AASB 112 Income Taxes as the Board considered income tax a matter of major public interest;
- adding the disclosure of imputation credits in line with paragraphs 12-15 AASB 1054 on the basis that this is an Australian specific issue; and
- retaining specific transition disclosures where an entity has selected a transition option under another Standard which has specific transition disclosure requirements.

While stakeholders had suggested deferring the mandatory date of the standard for not-for-profit entities possibly until the not-for-profit and public sector financial reporting frameworks have been finalised, the



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Board decided against different application dates to avoid the confusion for users that would come from having two Tier 2 reporting frameworks in operation at the same time. Instead, the AASB will provide education material to make adoption of AASB 1060 easier for any entities that are currently reporting under the Reduced Disclosure Framework.

Classification of Liabilities as Current or Non-Current

The Board decided to issue an Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current, which is the Australian equivalent of the recently issued IFRS Standard (Amendments to IAS 1). The amendments clarify that in order to classify the liability as non-current, the entity has to have the right to defer settlement of the liability for at least 12 months after the reporting period.

Fair Value Measurement for Not-for-Profit Entities

The Board noted information obtained during staff's consultations with stakeholders since its November 2019 meeting and asked staff to consult further with stakeholders () to understand:

- the methodologies currently applied in measuring the fair value of restricted land and buildings and how those methodologies relate to the concept of 'service potential' adopted in the AASB *Conceptual Framework*, AASB 136 *Impairment of Assets* and AASB 1059 *Service Concession Arrangements: Grantors*;
- when measuring the fair value of restricted land, what the discount to the current market buying price of equivalent (e.g. adjoining) land is intended to represent, and why the same discount is not applied to the current market buying price of any restricted buildings and other improvements on that land;
- users' needs in respect of how fair value is measured in the financial statements of public sector not-for-profit entities and the extent of change and associated cost that would be involved in implementing the Board's current tentative proposals; and
- the methodologies applied in measuring the current value of restricted assets by public sector entities in other jurisdictions (e.g. in New Zealand and the United Kingdom), and their differences from the methodologies currently applied in Australia.

The Board also considered a revised draft approach for measuring the fair value of right-of-use assets arising under concessionary leases, which was developed in light of stakeholders' feedback on an initial draft approach. The Board tentatively agreed with the revised draft approach and instructed staff to



obtain feedback from the Project Advisory Panel, valuers and other stakeholders on the revised draft approach and report back at a future meeting for Board deliberation.

Concessionary leases of private sector not-for-profit entities

The Board reaffirmed its intention to continue permitting private sector not-for-profit entity lessees to initially measure their right-of-use assets arising under concessionary leases at cost or fair value (i.e. the temporary relief from using fair value granted through AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities*) at least until the financial reporting framework for private sector not-for-profit entities has been finalised.

Not-for-Profit Entity Definition and Guidance (ED 291)

The Board decided to proceed with the not-for-profit (NFP) entity definition proposed in ED 291 with the amendments to the implementation guidance clarifying that an entity is a NFP entity for financial reporting purposes if it is NFP for taxation purposes, unless its primary purpose is for the financial benefit of its equity holder(s) (subject to further clarification of the terms used in the implementation guidance and illustrative examples).

The Board did not agree that any entity should be able to elect to be a for-profit (FP) entity due to concerns with possible abuse of the election.

The Board will consider revised implementation guidance and illustrative examples addressing other issues raised by stakeholders at the future Board meetings.

International Documents Open for Comment

In respect of the Board decided to perform targeted outreach to collect feedback from stakeholders and prepare submissions to the IASB on the Goodwill and Impairment (expected in March 20) and ED on IBOR reform (expected in April 20) discussion papers.

Other Business

The Board also decided to:

- Issue guidance relating to disclosures of reverse factoring transactions
- Work jointly with the NZASB to collect feedback from users on audit fee disclosures.

Recently Approved Documents

Since last reported (21 Nov 2019), the Board has approved the following Standards, Exposure Drafts or other documents.



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| Date approved | Document | Effective Date (Standards/Int'ns) Due Date for Submissions (EDs) |
|------------------|---|--|
| 16 December 2019 | AASB 2019-6 <i>Amendments to Australian Accounting Standards – Research Grants and Not-for-Profit Entities</i> | 1 January 2019 |
| 18 December 2019 | AASB 2019-7 <i>Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations</i> | 1 January 2020 |
| 19 December 2019 | AASB 2019-8 <i>Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases</i> | 1 January 2019 |
| 23 January 2020 | ED 298 <i>General Presentation and Disclosure</i> | 15 May 2020 |
| 5 March 2020 | AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i> | 1 January 2022 |
| 6 March 2020 | AASB 2020-2 <i>Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities</i> | 1 July 2021 |
| 6 March 2020 | AASB 1060 <i>General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities</i> | 1 July 2021 |

Documents Open for Comment

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

| Originating Organisation | Document | AASB No. | AASB Due Date | Other Organisation Due Date |
|--------------------------|--|----------|---------------|-----------------------------|
| IASB | ED/2019/7 General Presentation and Disclosures | 298 | 15 May 2020 | 30 June 2020 |
| IASB | Comprehensive Review of the IFRS for SMEs Standard | n/a | n/a | 27 July 2020 |
| IPSASB | ED70 Revenue with Performance Obligations | n/a | n/a* | 15 September 2020 |
| IPSASB | ED71 Revenue without Performance Obligations | n/a | n/a* | 15 September 2020 |



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|--------------------------|--|----------|---------------|-----------------------------|
| IPSASB | ED72 Transfer Expenses | n/a | n/a* | 15 September 2020 |

* The AASB will perform targeted outreach to inform its submission to the IPSASB.

AASB 2020 Scheduled Board Meeting Dates

29 – 30 April 2020

11 June 2020

16 – 17 September 2020

11 – 12 November 2020

April 2020 AASB meeting

At the next Board meeting, it is expected the Board will address the following items:

Not-for-Profit Entity Definition and Guidance

Fair Value Measurement for Not-for-Profit Entities

IBOR Reform and its Effects on Financial Reporting—
Phase 2

Primary Financial Statements project – feedback from
roundtables

Tax transparency code