



Project:	n/a	Meeting	November 2021 (M184)
Topic:	Documents open for comment by other organisations	Agenda Item:	13.1
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		Decision-Making:	Low
		Project Status:	n/a

Objective of this paper

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

Reasons for bringing this paper to the Board

- 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.
- 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.
- Appendix A to this paper provides a summary of documents open for comment that the Board has previously made a decision regarding whether to provide feedback.

Current IASB documents open for comment – decision needed from the Board as to whether to comment or to take other action

Originating organisation	Document	Date of release	AOSSG input	Comments due	Staff recommendation for AASB approach
IASB	Request for Information and comment letters: Post-implementation Review of IFRS 9— Classification and Measurement	September 2021	Yes	28 January 2022	<p>The IASB is requesting feedback as part of the post-implementation review of the classification and measurement requirements in its financial instruments Standard, IFRS 9 <i>Financial Instruments</i>.</p> <p>IFRS 9 specifies how an entity is required to classify and measure financial assets and financial liabilities as well as some contracts to buy or sell non-financial items. Reviews of the impairment and hedge accounting requirements in IFRS 9 will follow at a later date.</p> <p>The AASB issued ITC 47 Request for Comment on IASB Request for Information on Post-implementation Review of IFRS 9 Financial Instruments – Classification and Measurement on 7 October 2021, with comments due by 31 December. As of currently, no responses have been received.</p> <p>AASB staff as the leader of AOSSG Financial Instruments and Liabilities Working Group has provided preliminary feedback members (in Australia informed by limited targeted outreach) on behalf of AOSSG member jurisdictions to IASB Accounting Standards Advisory Forum in March 2021. AASB staff will also coordinate AOSSG response to the RFI.</p> <p>Staff recommend that subject to feedback received from stakeholders, that the AASB respond to the IASB’s RFI <i>Post-implementation Review of IFRS 9 Financial Instruments – Classification and Measurement</i>. Subject to the Board’s decision, staff recommend for the Board subcommittee to approve the submission out of session as the comments are due to IASB by 28 January 2022.</p> <p>Q1 Does the Board agree with the staff recommendation to comment on the IASB’s RFI, subject to feedback received by stakeholders?</p>

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IASB	Exposure Draft: ED/2021/7 Subsidiaries without Public Accountability: Disclosures	July 2021	N/A	31 January 2022	The Board decided at the September 2021 meeting to issue an Australian-equivalent Exposure Draft. The Board will consider a comparison of the ED/2021/7 to AASB 1060 and whether to submit a comment letter as part of <u>agenda item 4</u> .

IFRS Interpretation Committee’s Tentative Agenda Decisions currently open for comment – decision needed from the Board as to whether to comment or to take other action

Originating organisation	Document	Date of release	AOSSG input	Comments due	Staff recommendation for AASB approach
IFRS IC	Tentative Agenda Decision: Cash Received via Electronic Transfer as Settlement for a Financial Asset (IFRS 9)	September 2021	N/A	25 November 2021	<p>The IFRIC received a request about the timing of the derecognition of receivable and recognition of cash received via an electronic transfer system. In the scenario, an entity has a trade receivable with a customer. At the entity’s reporting date, the customer has initiated a cash transfer via the electronic transfer system to settle the trade receivable. The entity receives the cash in its bank account two days after its reporting date (as the electronic transfer system has three working day settlement process). The IFRIC discussed whether the cash should be recognised and receivable derecognised on the cash transfer date or settlement date.</p> <p>The IFRIC concluded that, applying paragraphs 3.2.3 and 3.1.1 of IFRS 9, the entity:</p> <ol style="list-style-type: none"> a. derecognises the trade receivable on the date on which its contractual rights to the cash flows from the trade receivable expire; and b. recognises the cash when it is deposited to bank account (ie. when it becomes party to contractual provisions of the instruments). If this is later than the derecognition of receivable,

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					<p>another financial asset (eg. right to receive cash) as settlement for that trade receivable on the same date.</p> <p>The IFRIC decided not to add a standard-setting project to their work plan.</p> <p>Staff received mixed feedback from Australian stakeholders, however it was noted that cash settlement delays do occur in Australia. One stakeholder noted settlement date accounting (as outlined in IFRS) is generally used. It was also noted the amount of cash transfers initiated before the end of the reporting period, but settled only after that period is not typically material for receiving entities.</p> <p>Staff agree with the IFRIC conclusion and therefore recommend not commenting.</p> <p>Q2 Does the Board agree with the staff recommendation, not to comment on the Tentative Agenda Decision <i>Cash Received via Electronic Transfer as Settlement for a Financial Asset</i>?</p>
IFRS IC	Tentative Agenda Decision: Demand Deposits with Restrictions on Use (IAS 7)	September 2012	N/A	25 November 2021	<p>The IFRIC received a request about whether an entity includes a demand deposit as a component of cash and cash equivalents in its statements of cash flows and financial position when the demand deposit is subject to contractual restrictions on use agreed with a third party. The request outlines that an entity may be required to keep a minimum balance of cash available to meet commitments to third parties. The requirement may arise from regulations, for example, regulations applicable to financial institutions, or from a third-party commitment, for example, as an escrow account to fund an acquisition or as a condition to a lending agreement.</p> <p>The Committee concluded that restrictions on the use of a demand deposit arising from a contract with a third party do not result in the</p>

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					<p>deposit no longer being cash, unless those restrictions change the nature of the deposit in a way that it would no longer meet the definition of cash in IAS 7. The IFRIC also concluded that the principles and requirements in IFRS Standards provide an adequate basis and decided not to add a standard-setting project to the work plan.</p> <p>Staff received mixed feedback from Australian stakeholders who noted it could be common in certain industries that an entity is required to keep amounts in a separate demand deposit account to meet commitments to third parties. Stakeholders identified the following industries:</p> <ul style="list-style-type: none"> • Real estate; • Mining and gas (bank guarantee that is cash-backed); • common in Australia and Europe, and similar conditions may relate to electronic payment platforms under E-money legislation. <p>One stakeholder suggested this issue warrants more thinking and guidance.</p> <p>Staff agree with the IFRIC conclusion and therefore recommend not commenting.</p> <p>Q3 Does the Board agree with the staff recommendation not to comment on the Tentative Agenda Decision <i>Demand Deposits with Restrictions on Use</i>?</p>

Forthcoming documents for comment – decision needed from the Board as to whether to comment or to take other action

Originating organisation	Document	Expected date of release	Comments due	Staff recommendation for AASB approach
IASB	Exposure Draft: Classification of Debt with Covenants as Current or Non-current (IAS 1)	November 2021	Minimum 120-day comment period	<p>At the June 2021 IASB Board meeting, the IASB tentatively decided to amend IAS 1 <i>Presentation of Financial Statements</i> in response to new information provided by respondents to the tentative Agenda Decision Classification of Debt with Covenants as Current or Non-current.</p> <p>The proposed amendments to IAS 1 would:</p> <ol style="list-style-type: none"> a. modify the requirements introduced by <i>Classification of Liabilities as Current or Non-current</i> (AASB 2020-1 & AASB 2020-6) on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances; b. defer the effective date of the 2020 amendments to no earlier than 1 January 2024 (early adoption permitted); c. require entities to apply the proposed amendments retrospectively in accordance with IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>; and d. provide no exemption for first-time adopters. <p>Staff agree with the expected proposals and therefore do not recommend commenting on the forthcoming ED, subject to any feedback.</p> <p>Q4 Does the Board agree with the staff recommendation not to respond to the IASB’s forthcoming ED, subject to any feedback?</p>
IASB	Exposure Draft: Supplier Finance Arrangements	November 2021	Minimum 120-day comment period	<p>At the June 2021 IASB Board meeting, the IASB decided to add a narrow-scope standard-setting project to its work plan on supplier finance arrangements.</p> <p>The IASB discussed requirements for the transition to, and early application of, the proposed amendments to IAS 7 <i>Statement of Cash Flows</i> and IFRS 7 <i>Financial Instruments: Disclosures</i>.</p>

Originating organisation	Document	Expected date of release	Comments due	Staff recommendation for AASB approach
				<p>The IASB tentatively decided to:</p> <ul style="list-style-type: none"> a. require entities to apply the proposed amendments retrospectively in accordance with IAS 8; b. provide no exemption for first-time adopters; and c. permit early adoption. <p>Staff agree with the expected proposals and therefore do not recommend commenting on the forthcoming ED, subject to any feedback.</p> <p>Q5 Does the Board agree with the staff recommendation not to respond to the IASB’s forthcoming ED, subject to any feedback?</p>
IPSASB	ED 81 <i>Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements</i>	Q1 2022	Q2 2022	<p>The objective of the forthcoming ED81 is to propose limited updates to Chapter 3 <i>Qualitative Characteristics</i> and Chapter 5 <i>Elements</i> of the IPSASB’s Conceptual Framework to align with the IASB’s Revised Conceptual Framework (RCF). ED81 is expected to propose aligning the following concepts in the RCF: materiality, prudence, unit of account and executory contracts.</p> <p>ED 81 is also expected to address the following concepts in the context of NFP public sector entities:</p> <ul style="list-style-type: none"> (a) the description of service potential in the context of an asset; (b) definition of an asset; and (c) definition of a liability. <p>The Board has an active project to adapt the RCF for application by NFP entities (including public sector entities), which is expected to address the concepts outlined in (a)–(c). Since the timing of the public consultation on the AASB’s project is yet to be determined, depending on the cross-cutting projects such as the NFP Financial Reporting Framework project, staff recommend not to submit comments on ED 81. Staff will monitor the the</p>

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				<p>IPSASB's work and any Australian stakeholder feedback in the context of the Board's project.</p> <p>Q6: Does the Board agree with the staff recommendation not to comment on the forthcoming IPSASB ED 81?</p>
IPSASB	Exposure Draft: <i>Accounting and Reporting by Retirement Benefit Plans</i>	January 2022	May 2022	<p>The forthcoming ED is expected to propose an IPSAS based on IAS 26 <i>Accounting and Reporting by Retirement Benefit Plans</i>, adapted with consideration given to alternative approaches of national standard-setters, including AASB 1056 <i>Superannuation Entities</i>.</p> <p>Based on the June 2021 IPSASB meeting, the ED would propose a requirement to prepare a statement of changes in net assets available for benefits, without specifying whether contributions to a plan are income or increases in member obligations. AASB 1056 requires an income statement and classifies contributions as increases in obligations, but options potentially to be included in the IPSAS could be consistent with the Australian requirements.</p> <p>The Board decided not to adopt IAS 26 when it issued AASB 1056 because it considered that applying IAS 26 would be unlikely to result in financial statements that meet users' information needs and would potentially reduce the quality of financial reporting by superannuation entities.</p> <p>Staff recommend the Board not comment on this forthcoming ED, as AASB 1056 is being considered by the IPSASB in developing the ED.</p> <p>Q7: Does the Board agree with the staff recommendation not to comment on the forthcoming ED?</p>

Appendix A

Current and forthcoming documents open for comment – decisions already made by the Board at previous meetings

Originating organisation	Document	Date of release	Comments due	Summary
IASB	Exposure Draft Revised Practice Statement on Management Commentary	May 2021	IASB – 23 November 2021 AASB – 1 October 2021	The Board decided at the February 2021 meeting to provide comments to the IASB subject to feedback received from stakeholders. Staff collected feedback from UAC members and other stakeholders. The feedback summary and direction of the comment letter are to be discussed as part of agenda item 15
IPSASB	Mid-Period Work Program Consultation	July 2021	30 November 2021	The Board decided not to comment on the IPSASB Mid-period work program consultation.
IASB	Exposure Draft ED/2021/3 Disclosure Requirements in IFRS Standards— A Pilot Approach	March 2021	IASB – 12 January 2022 AASB – 15 October 2021	The Board decided at the February 2021 meeting to provide comments to the IASB subject to feedback received from stakeholders. Staff received feedback through outreach activities. The feedback summary and direction of the comment letter are to be discussed as part of agenda item 8