



<b>Project:</b>	Post-Implementation Reviews	<b>Meeting:</b>	M201
<b>Topic:</b>	Income of Not-For-Profit Entities – Statutory receivables	<b>Agenda Item:</b>	8.4
		<b>Date:</b>	20 February 2024
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		<b>Decision-Making:</b>	Low
		<b>Project Status:</b>	Initial consideration of stakeholder feedback

## Objective of this paper

- 1 The objective of this Staff Paper is for the Board to:
  - (a) **consider** the feedback received on Topic 8: Statutory receivables included in [Invitation to Comment 50 Post-implementation Review – Income of Not-for-Profit Entities](#) (ITC 50); and
  - (b) **discuss** the feedback, staff analysis and preliminary views in relation to ITC 50 Topic 8. The Board will not be asked to make any decisions at this meeting but rather to provide feedback and suggestions for further analysis. Following the discussion staff will develop recommendations and ask the Board to decide on possible next steps<sup>1</sup> at a future meeting.

## Structure

- 2 This paper is structured as follows:
  - (a) Background (paragraphs 3 to 12)
  - (b) Analysis of respondents' feedback (paragraphs 13 to 33)
  - (c) What the AASB has done so far (paragraphs 34 to 44)
  - (d) Staff analysis and preliminary views (paragraphs 45 to 56)

## Background

- 3 Paragraph Aus2.1.1<sup>2</sup> and Appendix C *Australian implementation guidance for not-for-profit entities* was added to AASB 9 *Financial Instruments* to provide guidance to assist not-for-profit (NFP) entities in determining

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1 See Appendix A: Post-implementation review (PIR) decision-making process and Appendix B: Possible responses to PIRs in [Agenda Paper 7.1 Cover Memo: PIR Income of Not-for-Profit Entities](#) (November 2023).

2 AASB 9 paragraph Aus2.1.1: 'Notwithstanding paragraph 2.1, in respect of not-for-profit entities, the initial recognition and measurement requirements of this Standard apply to non-contractual receivables arising from statutory requirements as if those receivables are financial instruments.'

whether particular transactions or other events or components thereof are within the scope of AASB 9 in response to the feedback on the ED 260 *Income of Not-for-Profit Entities*.<sup>3</sup>

- 4 In accordance with AASB 9 paragraph C4, 'financial assets include contractual rights to receive cash or another financial asset from another entity. However, in a not-for-profit (NFP) context, a receivable may arise from statutory requirements rather than through a contract (e.g. rates, taxes and fines). The nature of such a receivable arising from statutory requirements is, in substance, similar to a contractual receivable, as the statutory requirements also provide an entity with a right to receive cash or another financial asset from another entity.'
- 5 Accordingly, an entity recognises and measures a statutory receivable as if it were a financial asset when statutory requirements establish a right for the entity to receive cash or another financial asset. Such a right arises on the occurrence of a past event (paragraph C5).

#### *Initial and subsequent measurement differences*

- 6 In developing ITC 50, stakeholder feedback noted that the Appendix C requirements applying to statutory receivables apply only to the initial measurement of such assets but not their subsequent measurement. In the view of some stakeholders, this approach inappropriately permits differences across entities in the subsequent measurement of such assets.
- 7 When Appendix C was added to AASB 9, the AASB held the view that the initial fair value measurement requirements of AASB 9 are the most appropriate for statutory receivables because the economic substance of contractual receivables and receivables arising from statutory requirements are similar at initial recognition. However, the subsequent measurement of statutory receivables was not addressed at the time because the AASB decided further consideration of the matter would be needed beyond the scope of the income project. The AASB also noted that the International Public Sector Accounting Standards Board (IPSASB) had commenced a project on Public Sector Specific Financial Instruments (PSSFI).
- 8 The IPSASB initiated its PSSFI project in 2015 to consider the appropriate accounting treatment for public sector items that are, or share characteristics of, financial instruments. The IPSASB issued a Consultation Paper in July 2016 and an Exposure Draft (ED 69) in August 2019. The final pronouncement, *Non-Authoritative Amendments to IPSAS 41 Financial Instruments*, was issued in December 2020. The Basis for Conclusions noted that because statutory receivables are not contractual and do not meet the definition of a financial instrument, they would be addressed as part of a separate IPSASB project (paragraph BC3B). Information about the guidance the IPSASB has issued relating to statutory receivables is included in paragraphs 42 to 43.

#### *Initial measurement requirements increasing workload*

- 9 As summarised in [Agenda Paper 3.2.1](#) (October 2023) providing an overview of the feedback from the post-implementation review (PIR) by topic, stakeholder feedback, during the development of ITC 50, also suggested that the initial measurement of statutory receivables in accordance with AASB 9 added considerably to the workload of preparers and auditors.
- 10 ITC 50 asked the following questions on statutory receivables:

#### **Questions for respondents**

*Do you have any comments regarding:*

20. *the subsequent accounting treatment of statutory receivables? If so, please provide your views, relevant circumstances and their significance. Examples to illustrate your responses are also most helpful;*

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<sup>3</sup> See AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*.

21. *whether the initial measurement of statutory receivables in accordance with AASB 9 added considerably to the workload of preparers and auditors – either on implementation of Appendix C to AASB 9 or subsequently? If so, please provide your views on the initial measurement requirements, relevant circumstances and their significance. Examples to illustrate your responses are also most helpful.*

- 11 Following the issue of the ITC, during the outreach phase of the PIR, staff actively engaged with stakeholders to seek feedback on this topic.<sup>4</sup> In addition to formal comment letters being submitted, stakeholders could also provide feedback on this topic via a survey and discussion during the various roundtable events held by staff.<sup>5</sup> Stakeholders were also invited to discuss the topic further during one-on-one meetings with staff where they requested this.
- 12 This Staff Paper is part of the ‘feedback and next steps’ phase of the PIR process. Appendix A and B of [Agenda Paper 7.1](#) (November 2023) sets out the framework to support the Board in considering stakeholder feedback and determining what action, if any, may be required.

### Analysis of respondents

- 13 Details of stakeholders who provided feedback on ITC 50 Topic 8 include:

	Response details
Comment letter respondents:	4 out of 15 respondents provided comment.  See submissions 7, 9, 12 and 13 on the <a href="#">AASB website</a> .
Survey responses to the question ‘In your experience, has initially measuring and recognising statutory receivables at fair value increased your workload?’	4 respondents answered ‘Yes’ while 6 answered ‘No.’ 12 survey respondents skipped the question.  See pages 27 to 30 of <a href="#">Agenda Paper 3.2.5 ITC 50 Survey responses</a> (October 2023) for further responses relating to this topic. Details of comments made are included in paragraphs 28 to 29 below.
Virtual outreach meetings	A number of stakeholders provided feedback during these meetings: <ul style="list-style-type: none"> <li>• Not-for-Profit Advisory Panel (2 out of 13 attendees commented);</li> <li>• Roundtable 1 (Not-for-Profit Private Sector stakeholders) (1 out of 17 attendees commented);</li> <li>• Roundtable 2 (Local Government stakeholders) (4 out of 53 attendees commented);</li> <li>• Roundtable 3 (State, Territory and Commonwealth stakeholders) (0 out of 40 attendees commented); and</li> <li>• 2 stakeholders in individual meetings.</li> </ul> Agenda Paper 3.2.6 <i>ITC 50 virtual meeting notes</i> (October 2023) was provided to the Board [in supplementary folder for the Board only].

- 14 Comments made at the NFP Advisory Panel meeting, Roundtables 1 to 3 and individual meetings are consistent with feedback received in the comment letters. Specific comments have been included in this paper where they add or are different to the feedback received in the comment letters. However, detailed feedback is included in the supporting agenda papers.

<sup>4</sup> See [Agenda Paper 3.2.0 Cover Memo: Income of Not-for-Profit Entities](#) (October 2023) for more details.

<sup>5</sup> Comment letters can be accessed from the [AASB website](#). Survey responses were presented to the Board at the October 2023 meeting: [Agenda paper 3.2.5 Survey Responses](#).

## Feedback on Questions 20 – subsequent accounting treatment of statutory receivables

### *Diversity and complexity in subsequent measurement*

- 15 A survey respondent, who defined themselves as a NFP private sector user, commented that there is no benefit of requiring an accurate measurement of statutory receivables at initial measurement and then not applying the same method for subsequent measurement.
- 16 A stakeholder from a professional services firm at Roundtable 1 (NFP private sector) said they have heard there is a want for the AASB to close the loop on how to subsequently measure statutory receivables. A member of the NFP Advisory Panel also commented that for simplicity and clarity, there is a view that it may be beneficial to apply the AASB 9 requirements to both initial and subsequent measurement. Further, given there is uncertainty about how to subsequently measure statutory receivables, this is adding to the complexity.
- 17 ACAG, Deloitte and HoTARAC consider it would be beneficial if the AASB clarifies and provides guidance on the requirements for the subsequent measurement of statutory receivables in order to achieve consistency in practice:
- (a) ACAG commented that, as the requirements of AASB 9 only apply to the initial measurement of statutory receivables, entities need to determine the appropriate accounting policies for subsequent measurement of statutory receivables such as applying the impairment requirements in AASB 9 (expected credit losses (ECL) model) or AASB 136 *Impairment of Assets*. This approach permits differences across entities in the subsequent measurement of these assets which may reduce comparability. For example, AASB 136 does not require impairment unless there is an impairment indicator which is likely to result in a later recognition of the impairment expense than under AASB 9. ACAG noted that one Treasury department<sup>6</sup> within a jurisdiction mandated the application of AASB 9 to assess the impairment of statutory receivables;
  - (b) Deloitte commented that they also observed confusion as to whether the ECL model applied to statutory receivables. They observed in practice that NFP entities were applying the principles of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* to establish provisions for potential non-recovery of receivables (which did not lead to dissimilar outcomes to applying the AASB 9 ECL model), with others obtaining actuarial assessments to build into the measurement of recoverability provisions. Another potential difference in practice Deloitte have observed is the appropriate discount rate to use in the subsequent measurement of such receivables, particularly whether the principles of AASB 9 or AASB 137 should be applied in determining such rates; and
  - (c) HoTARAC commented similarly to Deloitte and in a follow-up email clarification suggesting, as a general rule, impairment of statutory receivables with fewer payers (such as the Mining Rehabilitation Levy) are assessed under AASB 9 and those with more payers (such as Land Tax and Transfer Duty) are assessed under AASB 137. Further, not specifying the subsequent measurement requirements has caused inconsistencies between jurisdictions as well as between different classes of statutory receivables. HoTARAC suggested that the recognition of provisions under AASB 137 is considered more cost-effective.
- 18 BDO also commented on the diversity in practice with some public sector entities applying AASB 9, including the ECL requirements (but not the disclosure requirements) and other entities not applying AASB 9.
- 19 In an individual meeting with a stakeholder in finance in the Commonwealth Government, they commented that Commonwealth receivables are more problematic than private sector receivables because of the types of statutory receivables they are owed and the period over which they are receivable. It is potentially more work to apply the ECL model. In practice, after the statutory receivables are initially recognised, on day 2, the treatment reverts back to impairment under AASB 136. This generally does not have a material difference on the dollar value of the receivables but it changes the treatment process. This stakeholder thought there can be

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6 Staff note the Victoria Department of Treasury and Finance [FRD 114 Financial Instruments](#) mandates the simplified approach.

consistency between initial and subsequent measurement requirements (for example, by subsequently applying the simplified method in AASB 9 and other practical expedients).

#### *Application of the ECL model to statutory receivables*

- 20 ACAG commented that some jurisdictions found it difficult in practice to measure the ECLs of statutory receivables. For example, one jurisdiction had difficulties in measuring the ECL for COVID- 19 loans (including issuing a qualification on lack of available information), although this difficulty would have likely arisen for any impairment approach applied. The lack of information included the probability of default, and likely loss given default.
- 21 BDO noted that the application of the ECL requirements is complex, regardless of whether applied to statutory or contractual receivables.
- 22 ACAG also commented that in one jurisdiction, impairment for the majority of statutory receivables is not material and therefore approaches other than the use of a simplified approach under AASB 9 would result in the costs outweighing the benefits.
- 23 A NFP Advisory Panel member suggested that it may be beneficial to add some simplicity clauses for ECL like there is in the Tier 3 proposals.<sup>7</sup> The stakeholder whose comments are included in paragraph 19, also suggested a simpler model could be applied that is consistent with AASB 9 but does not require a full ECL model application.

#### *Statutory receivables that are complex to administer*

- 24 BDO suggested some entities may encounter difficulties with reliable measurement where a taxable event has occurred, but assessment occurs in a later period (for example, income taxes). However, this is already dealt with in AASB 9 paragraph C7.<sup>8</sup>
- 25 HoTARAC made similar comments that subsequent measurement of statutory receivables appears to be limited to considering impairment of the firmed up reliable estimate of initially recognised balances. Taxes, duties or levies that are more complex to administer are characterised by accumulating assessments through the year, objections, appeals and subsequent period reconciliations. These processes establish the taxpayer's obligation and firm up the reliable estimate<sup>9</sup> of the income and statutory receivables over the course of a reporting period.

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7 As outlined in the [Discussion Paper – Development of Simplified Accounting Requirements \(Tier 3 Not-for-Profit Private Sector Entities\)](#), the Board proposed an incurred loss model (i.e. write down the asset when the entity has objective evidence that the debt is not recoverable) for basic financial assets measured at cost (see paragraphs 5.105 to 5.108).

8 This paragraph states 'in some instances, assets arising from taxable events cannot be measured reliably until after the taxing entity's financial statements are authorised for issue. This may occur, for example, if a tax base is volatile and reliable estimation is not possible. Consequently, in those cases, the assets would be recognised in a period subsequent to the occurrence of the taxable event, which may be several reporting periods after the taxable event.'

9 As included in HoTARAC's comment letter: Reliable measurement being required for recognition of financial statements elements, particularly income and assets, under paragraphs 86, 89 and 92 of the [Framework for the Presentation and Presentation of Financial Statements](#):

Paragraph 86: 'The second criterion for the recognition of an item is that it possesses a cost or value that can be measured with reliability. In many cases, cost or value must be estimated. The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability. When, however, a reasonable estimate cannot be made the item is not recognised in the balance sheet or income statement. For example, the expected proceeds from a lawsuit may meet the definitions of both an asset and income as well as the probability criterion for recognition. However, if it is not possible for the claim to be measured reliably, it should not be recognised as an asset or as income. The existence of the claim, however, would be disclosed in the notes, explanatory material or supplementary schedules.'

Paragraph 89: 'An asset is recognised in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.'

Paragraph 92: 'Income is recognised in the income statement when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably. This means, in effect, that recognition of income occurs simultaneously with the recognition of increases in assets or decreases in liabilities (for example, the net increase in assets arising on a sale of goods or services or the decrease in liabilities arising from the waiver of a debt payable).'

- 26 HoTARAC noted that the application of paragraph C7 of AASB 9 can considerably increase the workload of preparers and auditors when a tax or duty base is subject to a delayed reconciliation process. In a follow-up email clarification, they noted that the relief in paragraph C7 is only possible where reliable estimation is not possible. Audit issues arise where reliable estimation is possible but is subject to an annual reconciliation process. For example, as part of the GST distribution process, the total amount of GST revenue paid to the States and Territories is adjusted for any difference between the estimated and actual outcome of the parameters in the formula (for example, population estimates) after the financial year. Even though the adjusting amount is generally immaterial, this has caused considerable workload for preparers to satisfy auditors at year end. HoTARAC suggested that the AASB may consider providing additional guidance to reduce the preparation costs.

## **Feedback on Questions 21 – initial measurement of statutory receivables added to the workload of preparers and auditors**

### *Mixed views on increased workloads*

- 27 BDO commented that usually, statutory receivables are short-term in nature, so they did not anticipate great difficulties applying the initial fair value measurement requirements in AASB 9.
- 28 In answering question 28 of the survey ‘In your experience, has initially measuring and recognising statutory receivables at fair value increased your workload?’, four respondents answered ‘Yes’ and six respondents answered ‘No.’<sup>10</sup> However, no respondents provided comments to explain their experiences.
- 29 In answering question 27<sup>11</sup> of the survey, two respondents made the following comments:
- (a) measuring receivables at fair value is not an easy task and causes more workload in practice. No specific details were provided to explain the causes; and
  - (b) disagreement with the disparity in treatment between the initial and subsequent measurement of statutory receivables. They also did not support the fair value measurement of them. This comment is relevant to question 20 above.
- 30 ACAG commented that generally, jurisdictions found that the initial measurement of statutory receivables did not result in considerably more work and that the application of AASB 9 resulted in a more appropriate outcome:
- (a) in practice, one ACAG jurisdiction noted that there was more work in local government<sup>12</sup> on the initial measurement of statutory receivables because of the need to work out pre-paid rates/rates in advance rather than use a cash basis; and
  - (b) the same jurisdiction referred to in (a) identified that there was more work required for developer contributions. Developer contributions may be paid in cash or non-cash consideration. A significant implementation issue related to multi-stage property developments. For example, for a 100 properties development, built in stages, when the first 10 properties are sealed, under the law it is only the infrastructure charges on those 10 properties that are due and payable at that time. However, in practice, the property developer will often transfer non-cash consideration (property, plant and equipment (PPE)) to a value in excess of the 10 properties, and will receive ‘infrastructure credits’ or ‘infrastructure offsets’ that can be used to offset later charges (for example the infrastructure charges on the next 20 properties). This jurisdiction noted that prior to the changes for statutory receivables, there was a lot of diversity on how these infrastructure charges, and infrastructure credits, were accounted for and that the NFP changes resulted in more consistency. However, under the AASB 9 NFP change, it is only the statutory charge (for example, for the 10 sealed properties above) that is due and payable under the

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10 12 respondents skipped the question.

11 ‘Please provide your comments relating to the initial recognition and subsequent measurement of statutory receivables.’

12 In contrast, a stakeholder at Roundtable 2 (local government) said their workload had not increased.

law – not the fair value of the PPE received. As a result, councils need to do more work to work out pre-paid charges (and the associated infrastructure offsets).

- (c) ACAG commented that further guidance from the AASB on the above matter may be useful. For example, while recognising deferred income in the above circumstance means only the amount that is statutorily due is recognised as income, if the developer decided not to proceed to the next stage of development then it becomes unclear how the deferred income can be brought to account. The ability to bring this income to account becomes more unclear where the developer may plan to use those offset credits for unrelated project(s) that never come to fruition because the developer exits the market, becomes bankrupt, etc.

- 31 From Deloitte's observations, they noted that most of the implementation challenges arise from the subsequent accounting of statutory receivables specifically around the provisioning of receivables for collectability as it was not addressed by the AASB, as opposed to the initial measurement of statutory receivables.

#### *Disclosure of statutory receivables*

- 32 ACAG commented that while AASB 9 considers the initial recognition of statutory receivables, it is not necessarily clear whether these receivables are within the scope of AASB 7 *Financial Instruments: Disclosures* for disclosure purposes. Some jurisdictions have seen differences in practice. For example, the exclusion of GST receivables from AASB 7 disclosures, but the inclusion of rates receivables.
- 33 BDO noted inconsistencies in application relating to disclosures in paragraph 18 and a stakeholder at Roundtable 2 (local government) commented that there is some confusion with auditors because statutory receivables are not financial assets and therefore the disclosure requirements are not clear.

#### **What the AASB has done so far**

#### [AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities](#)

- 34 As noted in paragraph 3, AASB 2016-8 added paragraph Aus2.1.1 and Appendix C to AASB 9 to require statutory receivables to be initially measured applying AASB 9. The AASB 2016-8 Basis for Conclusions (BC) paragraph BC10 includes that the Board held the view that the initial fair value measurement requirements of AASB 9 are the most appropriate for the types of receivables under consideration as the economic substance of contractual receivables and receivables arising from statutory requirements is similar at initial recognition and therefore decided to require that AASB 9 be applied to the initial measurement of such receivables. The Board also considered that requiring entities to apply AASB 9 for the initial measurement of non-contractual receivables arising from statutory obligations addressed the uncertainty surrounding the appropriate treatment of those receivables.
- 35 Paragraph BC11 outlines that the Board considered whether the subsequent measurement requirements of AASB 9 should also apply to statutory receivables; however, the Board noted:
  - (a) constituent feedback indicating the impact of the subsequent measurement requirements of AASB 9 needs further consideration; and
  - (b) the International Public Sector Accounting Standards Board (IPSASB) had recently embarked on its Public Sector Specific Financial Instruments project to consider requirements for public sector financial instruments that are not within the scope of IFRS 9 *Financial Instruments*.
- 36 The Board decided not to require entities to apply the subsequent measurement requirements of AASB 9 to statutory receivables. Instead, the Board decided to monitor the IPSASB's project and consider the subsequent measurement of statutory receivables in a future project. (paragraph BC12 of AASB 15). See IPSAS 47 *Revenue* section below for more details.

- 37 The Board noted that applying AASB 9 only for initial recognition of non-contractual statutory receivables could cause confusion and therefore decided to add guidance to accompany AASB 9 (paragraph BC13 of AASB 15).

*February 2021 AASB meeting: IPSASB update*

- 38 At its [February 2021 meeting](#) (M179), the Board noted the report on the IPSASB December 2021 meeting which highlighted IPSASB projects that could identify potential NFP or public sector additions or amendments to Australian Accounting Standards.<sup>13</sup> This included that in December 2020, the IPSASB issued amendments to add non-authoritative guidance to IPSAS 41 *Financial Instruments* to address monetary gold, currency in circulation and IMF special drawing rights. The guidance would be relevant to central banks and governments, and potentially could be added to AASB 9. It is noted (as well as in paragraph 8) that the IPSASB did not issue statutory receivables guidance as part of its updates of IPSAS 41, instead guidance was included in IPSAS 47. See section below for more details.

*February 2022 AASB meeting: IFRS 9 PIR*

- 39 Staff presented the feedback received as part of the IFRS 9 *Classification and Measurement* PIR at the [February 2022 meeting](#) (M185) for noting as the submission to the IASB was finalised out of session by the nominated AASB sub-committee. As outlined in paragraph 64(b) of the Agenda Paper, matters affecting federal and state government stakeholders included that stakeholders noted that the Australian amendments to IFRS in paragraph Aus2.1.1 apply only to initial measurement but not subsequent measurement resulting in inconsistency. Further, initial measurement under IFRS 9 added considerably to the workload on initial measurement of such receivables.
- 40 In paragraph 65 of the Agenda Paper, staff recommended the Board to consider Australian public-sector specific feedback summarised in paragraph 64(b) as part of the upcoming domestic PIRs.

*August 2022 AASB meeting*

- 41 At the [August 2022 meeting](#) (M189), staff recommended the subsequent measurement of statutory receivables be added to the NFP Income PIR.



## IPSAS 47 Revenue

- 42 As noted in paragraphs 8 and 38, the IPSASB did not deal with the accounting for statutory receivables as part of its [Non-Authoritative Amendments to IPSAS 41 Financial Instruments](#) because they are not contractual and do not meet the definition of a financial instrument. Instead, they would be addressed as part of a separate IPSASB project.
- 43 The IPSASB issued IPSAS 47 in May 2023 and staff note the following guidance is included in Section F: Subsequent Measurement in answering the question ‘How should an entity subsequently account for receivables from revenue transactions arising outside of contracts?’

*A non-contractual receivable (e.g. taxes and other statutory receivables) ‘does not strictly meet the definition of a financial asset because it does not arise from a contract. While non-contractual receivables and contractual receivables arise from different types of arrangements, they are consistent in substance and risk exposure, and non-contractual receivables should be subsequently measured by applying IPSAS 41 **by analogy** to ensure that transactions with the same substance are accounted for using consistent principles. When applying IPSAS 41 principles by analogy, the entity should use judgement to consider the substance of the receivable, and all relevant and readily available data, to form the basis of the revenue “contract by analogy” for which it has a receivable (e.g., legislation, payment terms, etc.). To determine whether its non-contractual receivable meets the criteria in paragraph 40<sup>14</sup> of IPSAS 41 to be subsequently measured at amortised cost, the entity should consider whether it holds the receivable to collect expected cash flows (in lieu of contractual cash flows) which represent its right to consideration in the transaction. If met, the entity should consider inputs into its impairment analysis under IPSAS 41 accordingly to ensure it appropriately reflects the economic substance of the receivable, including by not limited to the passage of time before the consideration is collectable (i.e., maturity period) and any receivable amounts the entity no longer expects to collect (i.e. expected credit losses). If the criteria in paragraph 40 of IPSAS 41 are not met, the entity would subsequently measure the non-contractual receivable at fair value in accordance with paragraph 31<sup>15</sup> of this Standard.’ (emphasis and footnotes added by AASB staff)*

### Educational material

- 44 The table includes details of educational material that has been developed relating to this topic.

<a href="#">AASB Staff FAQs: AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 16 Leases.</a>	‘Section 5: Initial recognition by an NFP entity of an asset acquired for consideration that is significantly less than fair value principally to enable the entity to further its objectives, and the associated outcome’ outlines that statutory receivable should be initially recognised and measured applying AASB 9.
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- 14 IPSAS 41 paragraph 40: ‘A financial asset shall be measured at amortised cost if both of the following conditions are met:  
(a) The financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and  
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.’
- 15 IPSAS 47 paragraph 31: ‘After initial recognition, an entity shall subsequently measure:  
(a) A receivable asset:  
(i) Within the scope of IPSAS 41 as a financial asset in accordance with IPSAS 41; or  
(ii) Not within the scope of IPSAS 41 on the same basis as a financial asset in accordance with IPSAS 41, by analogy.’

## Staff analysis and preliminary views

- 45 This section includes staff analysis of the feedback received, preliminary views on whether any action may be required to address the feedback and what may be done to respond to it. Appendix A and B of [Agenda Paper 7.1](#) (November 2023), sets out the framework to support the Board in considering stakeholder feedback and determining what action, if any, may be required. Staff plan to formalise the recommendations on the next steps including consideration of the magnitude of the issues identified, likely timeframe of possible actions, and their expected benefits and associated costs and present them to the Board at a future meeting.

Feedback themes/areas	Staff analysis and preliminary views
<p>Diversity and complexity in subsequent measurement and</p> <p>Application of the ECL model to statutory receivables and</p> <p>Disclosure of statutory receivables</p>	<p>46 Stakeholder feedback indicates there is diversity in practice in the subsequent measurement of statutory receivables where, for example, the requirements of AASB 9 (some are applying the ECL model but not the disclosure requirements and some the simplified approach), AASB 136 and AASB 137 are being applied. This is leading to unnecessary complexity and stakeholders consider it would be beneficial for the AASB to outline the subsequent measurement requirements.</p> <p>47 Stakeholder feedback indicates that the application of the ECL model to statutory receivables may be difficult due to a lack of information on the probability of default and likely loss given default. Although, a lack of information may also be present when applying the ECL model to contractual receivables.<sup>16</sup></p> <p>48 Stakeholders have suggested practical expedients, such as the simplified approach or an incurred loss model could be required. Requiring the ECL model to be applied could result in costs outweighing the benefits, due to the immateriality of statutory receivables. Further, a stakeholder suggested the recognition of provisions under AASB 137 is considered more cost-effective.</p> <p>49 Stakeholders have also suggested the disclosure requirements of statutory receivables also be specified because, for example it is unclear whether the disclosure requirements of AASB 7 apply and there may be diversity in practice.</p> <p>50 Staff's preliminary view on next steps, given the feedback provided by stakeholders during this PIR and the Board's decision to consider the subsequent measurement of statutory receivables in a future project when issuing AASB 2016-8 (see paragraph 36), is that the AASB could undertake a project to determine how statutory receivables should be subsequently measured. This may include considering the approaches to subsequent measurement currently being applied in practice (as reported by stakeholders, for example, the simplified approach to ECLs in AASB 9) and also the guidance issued by the IPSASB on the subsequent measurement of statutory receivables (see paragraph 43).</p>
<p>Statutory receivables that are complex to administer</p>	<p>51 Two stakeholders made comments relating to the relief provided in paragraph C7 of AASB 9 which allows for statutory receivables arising from a taxable event to be recognised in a subsequent period if the tax base is volatile and reliable estimation is not possible.</p> <p>52 It was suggested that audit issues are arising where reliable estimation is possible in the current period but is subject to an annual reconciliation in the subsequent period(s) to confirm generally immaterial amounts, is increasing preparer workloads. The stakeholder suggested the AASB may consider providing additional guidance to reduce preparation costs. Staff's preliminary view on next steps is that this is an assurance application issue and do not consider it likely the AASB can address this particular issue effectively.</p>

16 Staff note in the AASB's [submission](#) to the IASB in regards to the Request for Information on the Post-implementation Review of the Impairment Requirements of IFRS 9 *Financial Instruments* feedback included that 'several stakeholders thought that the requirement to incorporate forward-looking information is too complex for some smaller corporate entities, even when using the simplified approach.'

Feedback themes/areas	Staff analysis and preliminary views
Mixed views on increased workloads	<p>53 Some survey respondents (four) indicated that the initial measurement of statutory receivables applying AASB 9 increased their workload however no specific details were provided (six answered no to an increased workload).</p> <p>54 Comment letter respondents did not report, in general, great difficulties applying the initial measurement requirements with one stakeholder highlighting the difficulty is coming from the subsequent measurement requirements not being specified.</p> <p>55 Only one specific example (developer contributions in multi-stage property developments) was provided where more work is required at initial measurement however since the AASB 9 requirements have been implemented it was suggested that diversity in initial measurement has reduced. It was suggested that the AASB could provide further guidance relating to this circumstance. As this circumstance was raised by only one ACAG jurisdiction, staff’s preliminary view on next steps is that the benefits of issuing such guidance may outweigh the cost.</p> <p>56 Although the feedback on the initial measurement of statutory receivables increasing the workload of preparers and auditors was mixed, minimal feedback of specific circumstances about how workloads were increasing was provided. Therefore, staff’s preliminary view on next steps is that the initial measurement requirements included in AASB 9 should not be changed and the AASB should focus on considering and specifying the subsequent measurement requirements of statutory receivables.</p>

**Question to Board members**

**Q1:** Do Board members have any questions or comments on the feedback, staff analysis or preliminary views for this topic?