



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 213

8 April 2022

Welcome to the AASB Action Alert

The AASB Board met in public via videoconference on 7 April 2022. At the meeting the Board made key decisions in relation to:

[Sustainability Reporting](#)

[Income of Not-for-Profit-Entities – Narrow-scope Amendments](#)

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

Sustainability Reporting

The Board discussed the objective of a project on sustainability reporting. It made a preliminary decision to focus on the development of reporting requirements for sustainability-related financial information, which is consistent with the proposed work of the International Sustainability Standards Board (ISSB) of the IFRS Foundation.

In order to inform any possible future development of a separate suite of Australian sustainability reporting standards by the Board, it decided to publish an Exposure Draft to consult on the ISSB's Exposure Drafts on [Draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Disclosures* and [Draft] IFRS S2 *Climate-related Disclosures*. The Board decided to publish these Exposure Drafts in Australia to:

- (a) gather feedback to assist the Board to provide input into the ongoing work of the ISSB; and
- (b) inform the Board as to the appropriateness of and support for its proposed approach to sustainability-related financial reporting in Australia.

A draft project plan will be considered at its next meeting.

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Income of Not-for-Profit Entities – Narrow-scope Amendments

The Board decided to proceed with the following proposals in ED 318 *Illustrative Examples for Income of Not-for-Profit Entities and Right-of-Use Assets arising under Concessionary Leases*:

- (a) add Illustrative Example 7A to AASB 15 *Revenue from Contracts with Customers*, to clarify the accounting for upfront fees; and
- (b) regarding the accounting policy choice in AASB 16 *Leases* to initially measure a class of concessionary right-of-use assets at cost or fair value:
 - (i) to retain the accounting policy choice on an on-going basis for not-for-profit private sector lessees; and
 - (ii) to defer consideration of the accounting policy choice for not-for-profit public sector lessees until the Board decides on any additional guidance for measuring the fair value of ROU assets under concessionary leases. This decision would be made after considering the outcomes of the concessionary leases part of the IPSASB's current Leases project and the Board's ED 320 *Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*.

The Board decided to retain Illustrative Example 3 in AASB 1058 *Income of Not-for-Profit Entities* without any amendment after considering the feedback on ED 318. A majority of respondents preferred the Board considering any changes to the example only as part of the forthcoming post-implementation review of AASB 1058.

An amending Standard, with an effective date of annual periods beginning on or after 1 July 2022, is expected to be issued in May 2022.

Not-for-Profit Private Sector Financial Reporting Framework

The Board decided to include the following proposals in the Discussion Paper (DP) on Tier 3 reporting requirements for not-for-profit (NFP) private sector entities.

Impairment of non-financial assets

Tier 3 reporting requirements should require:

- (a) inventories generally to be measured at the lower of cost and net realisable value; and
- (b) inventories held for distribution to be measured at cost, adjusted when applicable for a loss of service potential.



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For non-financial assets other than inventory, the Board decided on the following impairment model:

- (a) only assets subsequently measured at cost or deemed cost should be subject to impairment testing;
- (b) a Tier 3 entity should be required to consider whether assets are impaired only when they have been physically damaged or when their service potential might have been adversely affected by a change in the entity's strategy or changes in external demand for the entity's services;
- (c) an asset would be impaired if its carrying amount exceeded its recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use. However, the proposed impairment model will include a rebuttable presumption that fair value less costs of disposal is expected to be the most appropriate measure of an asset's recoverable amount because non-financial assets are generally not held by NFP entities for the purpose of generating cash flows;
- (d) assets that do not generate cash flows that are largely independent of those from other assets can be grouped into cash-generating units; and
- (e) the impairment model will not include specific requirements relating to reversing previously recognised impairment losses.

Initial measurement of assets acquired for significantly less than fair value

Tier 3 reporting requirements for the initial measurement of assets acquired for significantly less than fair value should allow an entity an accounting policy choice, supplemented by appropriate disclosures, for the measurement of:

- (a) inventory – at cost or current replacement cost; and
- (b) other non-financial assets – at cost or at fair value in accordance with AASB 13 *Fair Value Measurement*.

Volunteer services

A Tier 3 entity should be permitted, but not required, to recognise volunteer services received, or a class of volunteer services, if the fair value of those services can be measured reliably.

Recently Approved Documents

Since last reported (28 February 2022), the Board has approved the following Standards, Exposure Drafts or other proposal documents.

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| Date Approved | Document | Effective Date (Standards/Int'ns) or Due Date for Submissions (EDs) |
|---------------|---|---|
| 9 March 2022 | ED 319 <i>Insurance Contracts in the Public Sector</i> | 8 June 2022 |
| 9 March 2022 | Fatal-Flaw Review Draft AASB 2022-X <i>Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments for Public Sector Entities</i> | 8 June 2022 |
| 18 March 2022 | AASB 2022-1 <i>Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information</i> | 1 January 2023 |
| 31 March 2022 | ED 320 <i>Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities</i> | 30 June 2022 |

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 or the IPSASB are published on the AASB website.

| Issuer | Document | AASB No. | AASB Due Date | Other Organisation Due Date |
|---------|---|----------|---------------|-----------------------------|
| IFRS IC | Tentative Agenda Decision Negative Low Emission Vehicle Credits | – | – | 12 April 2022 |
| IFRS IC | Tentative Agenda Decision Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition | – | – | 23 May 2022 |
| IFRS IC | Tentative Agenda Decision Special Purpose Acquisition Companies (SPAC): Classification of Public Shares as Financial Liabilities or Equity (IAS 32) | – | – | 23 May 2022 |
| IFRS IC | Tentative Agenda Decision Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17) | – | – | 23 May 2022 |
| IFRS IC | Tentative Agenda Decision Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16) | – | – | 23 May 2022 |
| IPSASB | ED 81 Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements in Financial Statements | – | – | 31 May 2022 |
| AASB | ED 319 Insurance Contracts in the Public Sector | ED 319 | 8 June 2022 | – |



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| AASB | Fatal-Flaw Review Draft AASB 2022-X Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments for Public Sector Entities | – | 8 June 2022 | – |
| AASB | ED 320 Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities | ED 320 | 30 June 2022 | – |
| ISSB | ED/2022/S1 General Requirements for Disclosure of Sustainability-related Financial Information | – | – | 29 July 2022 |
| ISSB | ED/2022/S2 Climate-related Disclosures | – | – | 29 July 2022 |
| IPSASB | ED 82 Retirement Benefit Plans | – | – | 1 August 2022 |

AASB 2022 Scheduled Board Meeting Dates

18 May
22-23 June
3 August
21-22 September
3 November
14-15 December

May 2022 AASB meeting

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

AASB Agenda Consultation
Not-for-Profit Private Sector Financial Reporting Framework
Post-implementation Reviews
Sustainability Reporting