Australian Government
Australian Accounting Standards Board

Staff Paper

Project:	**Conceptual Framework for Financial Reporting**	**Meeting:**	AASB August 2025 (M214)
Topic:	**References to the Conceptual Framework**	**Agenda Item:**	5.1
		Date:	29 July 2025
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		Decision-Making:	High
		Project Status:	Planning

Objective of this paper

1 This paper provides the Board with an update about references to the *Framework for the Preparation and Presentation of Financial Statements* (the 'old' conceptual framework, or CF) in Australian Accounting Standards and Interpretations that were not updated when the *Conceptual Framework for Financial Reporting* (the 'revised' conceptual framework, or RCF) was issued by the AASB in 2019.

2 The objective of this paper is for the Board to reconsider the CF references and determine whether any action is required to update the CF references to refer to the RCF.

Summary of staff recommendations

3 Staff do not consider that any of the CF references in Australian Accounting Standards and Interpretations require urgent attention, and in some instances, no amendments are required at all. As such, staff recommend in respect of:

(a) AASB 3 – no further amendments are required;

(b) AASB 108 – to wait until the IASB's rate-regulated activities project is completed before making any amendments consistent with IASB amendments;

(c) AASB 137 – to wait until the IASB's provisions project is completed before making any amendments consistent with IASB amendments;

(d) AASB 138 – to monitor the IASB's comprehensive review of IAS 38 and consider any possible amendments when the IASB does;

(e) AASB 1048 *Interpretation of Standards* – no amendments are required;

(f) AASB 1059 *Service Concession Arrangements: Grantors* – to consider amendments in conjunction with the Board's Conceptual Framework: Not-for-Profit Amendments project;

(g) Interpretation 1019 *The Superannuation Contributions Surcharge* – to wait until the IASB's provisions project is completed before considering any amendments;

(h) Interpretation 1031 *Accounting for the Goods and Services Tax (GST)* – to amend the Interpretation to remove the CF reference and expense recognition criteria so the Interpretation refers only to mandatory pronouncements. Staff consider this to be a non-urgent amendment; and

(i) Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* and Interpretation 1052 *Tax Consolidation Accounting* – to amend both Interpretations to remove the CF references and update the reference to income and expenses as applicable in general terms, i.e. without reference to a specific conceptual framework pronouncement. These are also non-urgent amendments.

4 Staff will also review all domestic AASB pronouncements to look for phrases from the CF that may not have been identified previously because there is no reference to the title of the CF in the pronouncement or paragraph.

Background

5 In 2018, the International Accounting Standards Board (IASB) issued the RCF, which was issued in Australia in May 2019 with an effective date of periods beginning on or after 1 January 2020. Neither the CF nor the RCF is a mandatory pronouncement. However, Standards and Interpretations do refer to or quote from the conceptual frameworks.

6 Implementing the RCF in Australia was challenging due to the so-called 'reporting entity clash'. This reflects the difference between the definition of a 'reporting entity' in the IASB's RCF and the definition in Australian Accounting Standards (including Interpretations).

7 The reporting entity definition in the RCF determines the boundary of what needs to be reported when an entity is required to report, e.g. consolidated information for a group comprising a parent entity and its subsidiaries. The reporting entity definition in Australian Accounting Standards (as they applied at the time) determined whether an entity should prepare general purpose financial statements that complied with Australian Accounting Standards.

8 To ensure that Australian for-profit private sector entities with public accountability were able to maintain IFRS compliance, the Board needed to implement the RCF for these entities without delay. The Board expected that implementing the RCF for publicly accountable for-profit private sector entities would be straightforward, as the Board did not expect the Australian reporting entity definition to be relevant to them.

9 However, to resolve the reporting entity clash, the Board would need to remove the Australian definition of reporting entity, which in turn would remove an entity's ability to conclude that it is not a reporting entity and prevent it from preparing special purpose financial statements if it is required to prepare financial statements in accordance with Australian Accounting Standards. The Board acknowledged that removing the Australian reporting entity definition and the ability to prepare special purpose financial statements was a complex process and that it would take some time.

10 To implement the RCF in Australia, the Board issued AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*, which introduced AusCF paragraphs into Australian Accounting Standards, Interpretations and other pronouncements. AusCF paragraphs were introduced to identify the Australian notion of a reporting entity as being relevant only to certain types of entities and to enable certain types of entities to continue using the CF and Statement of Accounting Concepts SAC 1 *Definition*

of the Reporting Entity to determine whether they are a reporting entity that needs to prepare general purpose financial statements that comply with Australian Accounting Standards.

11 In preparing AASB 2019-1, staff identified all CF references in all domestic pronouncements and intended to update these CF references to be RCF references and insert a corresponding AusCF paragraph – unless there was a compelling reason not to do so.

12 Paragraph BC45 of AASB 2019-1 outlines the approach the Board took regarding updating CF references. In summary, all CF references were updated to refer to the RCF and AusCF paragraphs were added to retain the text that referred to the CF, except that:

(a) references to the CF in IFRS-equivalent Standards:

(i) AASB 3 *Business Combinations* (paragraph 11);

(ii) AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (paragraph 54G) in relation to developing accounting policies for regulatory balances;

(iii) AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* (paragraph 10); and

(iv) AASB 138 *Intangible Assets* (paragraph 8);

were not updated and the definition of a liability and an asset contained in the CF continued to apply since the IASB did not update the CF references at the time;

(b) a CF reference in a domestic AASB pronouncement that presented the definition of an asset, liability, income or expense in its requirements was not updated. This is because updating the reference may have potentially changed the accounting consequences of the pronouncement. In these cases, the pronouncement continued to refer to the CF for the relevant definition; and

(c) references to the CF in Interpretations were amended to refer to the Conceptual Framework in effect when the Interpretation was developed, consistent with the IASB's approach to SIC and IFRIC Interpretations.

Why consider applying the AASB 2019-1 approach again?

13 In December 2024, staff received some feedback suggesting that a reference to the CF in Interpretation 1052 that was not updated when AASB 2019-1 was issued should have been updated then or else should be updated now.

14 In response to this feedback, staff reviewed all domestic AASB Standards and Interpretations (i.e. Standards and Interpretations numbered in the 1000 series) for CF references that are included in the mandatory parts of the pronouncement but <u>not</u> in an AusCF paragraph. This review accordingly excluded the Basis for Conclusions, Preface and other accompanying material.

15 Staff did not review IFRS-equivalent AASB pronouncements as the AASB followed the IASB's approach to updating CF references in preparing AASB 2019-1.

References to the CF

Corresponding IFRS pronouncements

16 Whilst staff did not review IFRS-equivalent AASB pronouncements for the purpose of this agenda paper, the following paragraphs provide an update on the status of CF references in the IFRS Standards that were not updated when the IASB issued its RCF in 2018, which approach the Board followed in AASB 2019-1 for the equivalent AASB Standards.

IFRS 3 (AASB 3)

17 The IASB amended the reference in paragraph 11 of IFRS 3 to the CF definitions of assets and liabilities in 2020 via the IFRS Standard *Reference to the Conceptual Framework* (Amendments to IFRS 3).

18 When the IASB issued the RCF in 2018, it did not intend to make significant changes to the requirements of IFRS Standards by updating references to the CF with references to the RCF. However, in respect of IFRS 3, the IASB was concerned that applying the revised asset and liability definitions could change which assets and liabilities qualify for recognition in a business combination and in some cases considered it was possible that the post-acquisition accounting required by other IFRS Standards could then lead to immediate derecognition of assets or liabilities recognised in a business combination, resulting in so-called Day 2 gains or losses that do not depict an economic gain or loss. For this reason, the IASB decided to retain the reference to the CF asset and liability definitions until it completed an analysis of the possible consequences of updating them. The IASB's analysis led it to conclude that the problem of Day 2 gains or losses would only be a significant issue in certain circumstances relating to provisions and levies. Therefore, in 2020, the IASB updated paragraph 11 to refer to the RCF asset and liability definitions and, at the same time, added a further exception to the recognition principle in IFRS 3 to avoid the problem of Day 2 gains or losses.[1]

19 The amendments to IFRS 3, including to paragraph 11, were incorporated into AASB 3 by AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments*.

20 Staff consider no action is required with respect to AASB 3 as the only CF references in the Standard are now in AusCF paragraphs.

IAS 8 (AASB 108)

21 The IASB has a current project to consider rate-regulated activities, which would replace IFRS 14 *Regulatory Deferral Accounts*.

22 In January 2021, the IASB issued an Exposure Draft that proposed a new accounting model for regulatory assets and liabilities and consequential amendments to several existing IFRS Accounting Standards.

23 The Exposure Draft proposed deleting paragraph 54G (including its footnote), which would delete all CF references in AASB 108 except where they appear in an AusCF paragraph.

24 The IASB expects to issue a new Standard on rate-regulated activities in the second half of 2025. As such, staff recommend no action is required at this stage. However, staff note that some Australian-specific amendments to AASB 108 could be needed for those entities that

1 This explanation of the issues with updating IFRS 3 to refer to the RCF is drawn from paragraphs BC114A-BC114D of the IFRS 3 Basis for Conclusions.

are not permitted to apply the RCF in addition to any amendments made by the IASB to IAS 8.

IAS 37 (AASB 137)

25 The IASB has a current project proposing amendments to IAS 37 to improve three aspects of the Standard – improving the recognition criteria for provisions, specifying the discount rate to be used when measuring a long-term provision and specifying the costs to be included when measuring a provision.

26 The IASB issued an Exposure Draft in November 2024, which proposed amendments to IAS 37 to update the definition of a liability in paragraph 10 to reflect the RCF definition. Consequential amendments were also proposed to other paragraphs in IAS 37 that include words or phrases from the definition of a liability in paragraph 10. These proposals would remove all the CF references, words and phrases from AASB 137 except for those that appear in an AusCF paragraph.

27 The IASB's comment period closed in March 2025, and the IASB is currently considering stakeholder feedback. As such, staff recommend no action is required at this stage. However, staff note that some Australian-specific amendments to AASB 137 could be needed for those entities that are not permitted to apply the RCF in addition to any amendments made by the IASB to IAS 37.

IAS 38 (AASB 138)

28 The IASB has a current project that aims to comprehensively review IAS 38 on intangible assets. The project is in its early stages. However, once initial work is completed, the IASB will consider whether it can make discrete, meaningful improvements to IAS 38 or whether more work is needed before considering any changes to the Standard.

29 As such, staff recommend no action is required at this stage, but staff will continue to monitor the project.

Question for Board members

Q1 In respect of AASB 3, AASB 108, AASB 137 and AASB 138, do Board members agree with the staff recommendations in paragraphs 20, 24, 27 and 29 that no action is required or else not required at this time? If not, what do Board members suggest?

Domestic AASB pronouncements

30 Staff noted CF references in the following domestic pronouncements (see the Appendix to this memo for the text of these paragraphs):

(a) AASB 1048 paragraph 1;

(b) AASB 1059 paragraph B46;

(c) Interpretation 1019 paragraph 18;

(d) Interpretation 1031 paragraph 21;

(e) Interpretation 1038 paragraph 34; and

(f) Interpretation 1052 paragraph 42.

31 In addition to explicit references to the CF, staff noted other paragraphs in the pronouncements identified in paragraph 30 that include words or phrases from the CF. For example, paragraphs 9 and 20 of Interpretation 1019 include words or phrases from the definition of a liability.

32 Staff noted that there could be other domestic AASB pronouncements that include words or phrases from the CF that have not yet been identified because there was no explicit CF reference in the pronouncement or paragraph. In due course, staff will review all domestic AASB pronouncements for phrases from the CF that may also need to be updated.

AASB 1048 paragraph 1

33 In Australia, for legislative reasons, Australian Interpretations and conceptual frameworks do not have the same legal status as Standards, which are legislative instruments. As such, references in a Standard to an Interpretation or a conceptual framework are static and do not automatically update to a revised version of the Interpretation or conceptual framework without a service Standard. The service Standard approach involves issuing AASB 1048 to list the versions of Australian Interpretations and conceptual frameworks, and referring to AASB 1048 in every other Standard in identifying an Interpretation or a conceptual framework for which an updated reference is desired. This enables those references to the Interpretations and conceptual frameworks in all other Standards to be updated simply by reissuing AASB 1048.

34 Paragraph 1 of AASB 1048 refers to both the CF and the RCF to explain one objective of the Standard – to provide an up-to-date listing of Australian conceptual framework pronouncements.

35 As the CF is still relevant for some entities, staff consider that the CF reference in paragraph 1 of AASB 1048 should not be updated, consistent with the approach taken in AASB 2019-1.

Question for Board members

Q2 Do Board members agree with the staff recommendation in paragraph 35? If not, what do Board members suggest?

AASB 1059 paragraph B46

36 AASB 1059 applies to for-profit and not-for-profit (NFP) public sector grantors of service concession arrangements. The Standard was issued to prescribe the accounting for service concession arrangements from the grantor's perspective.

37 The reference to the CF in paragraph B46 is to the statement that, for NFP entities, future economic benefits are synonymous with the notion of service potential. As NFP entities are currently prohibited from applying the RCF, the RCF does not currently contain a similar statement.

38 In relation to the definition of an asset, the CF refers to "future economic benefits". The RCF refers to the "potential to produce economic benefits". However, staff do not consider this to be a substantive difference.

39 To enable NFP entities to apply the RCF, AASB Exposure Draft ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* proposes an amendment to the RCF to explain how the concept of the potential to produce economic benefits applies to NFP entities. This amendment would enable the Board to update

paragraph B46 to refer to the RCF, include the existing text of paragraph B46 in an AusCFB46 paragraph and add a paragraph AusCF1 to explain the application of other AusCF paragraphs in the Standard – that is, to update AASB 1059 in the same way that AASB 2019-1 amended other Standards.

40 Given the Board's Conceptual Framework: Not-for-Profit Amendments project, which proposes amendments to the RCF so that NFP entities are able to apply it, is still in progress, staff do not recommend updating AASB 1059 at this time. However, when the Board finalises its proposed amendments to the RCF for NFP entities, staff recommend considering updating the CF reference in AASB 1059 at that time and determining whether other words or phrases from the CF also require updating.

41 In the interim, staff do not consider that the current reference in AASB 1059 to the CF would represent a departure from the RCF for for-profit public sector entities, which would otherwise refer to the RCF. This is because the CF reference in question is a clarification of economic concepts.

Question for Board members

Q3 Do Board members agree with the staff recommendation in paragraph 40? If not, what do Board members suggest?

Interpretation 1019 paragraphs 9, 18 and 20

42 Interpretation 1019, which was originally issued in 2004, is applied by superannuation plans and addresses the accounting for a surcharge levied on higher-income earners' superannuation contributions between 1996 and 2005.

43 The surcharge is no longer levied on new contributions. However, during the recent post-implementation review of the Interpretation, feedback indicated that there are still likely tens of thousands of superannuation plan members who have deferred contribution surcharge debts that are addressed by the Interpretation. Nevertheless, the amounts involved are highly unlikely to be material. The Board concluded that retaining Interpretation 1019 does not pose any harm, to monitor the application of the Interpretation and take action to either withdraw or revise the Interpretation at a later date, if needed.

44 Whilst some may consider superannuation plans to be NFP entities, they may also be considered for-profit entities for financial reporting purposes in the sense that they seek to maximise returns to members. For-profit superannuation plans should be applying the RCF.

45 In the Interpretation, staff note that:

(a) paragraph 9 sets out the CF definition of and recognition criteria for a liability;

(b) paragraph 18 refers to the CF and sets out the CF definition of expenses, including referring to assets and liabilities; and

(c) paragraphs 18 and 20 refer to AASB 137 and set out the CF definition of and recognition criteria for a liability.

46 Staff note that there are differences between the definitions of expenses in the CF and the RCF, although they do not appear to be substantive. This is supported by paragraph BC4.95 of the Basis for Conclusions to the IASB's RCF, which states that "The Board noted that no major problems had been identified with the definitions of income and expenses. Hence, the only changes made in the 2018 Conceptual Framework were those necessary to make the

definitions of income and expenses consistent with the revised definitions of an asset and a liability." Consistent with the IASB's RCF Basis for Conclusions, staff note that the identification of expenses may differ only because the definition of assets and liabilities differs between the CF and RCF.

47 In respect of Interpretation 1019, staff have not assessed the significance of any possible differences that may arise due to the different liability definitions, but note that the IASB delayed adopting the RCF asset and liability definitions in IAS 37 and IFRS 3 in part, as addressed earlier in this agenda paper. Any possible differences arising from RCF amendments to the Interpretation need careful consideration.

48 If the CF reference and related paragraphs were to be updated to refer to the RCF, AusCF paragraphs would need to be included to retain the current text for entities that can't apply the RCF, and an AusCF1 paragraph would also need to be added to the Interpretation – that is, to update Interpretation 1019 in the same way that AASB 2019-1 amended Standards.

49 Given the IASB's current project, which proposes updating the definition and recognition criteria for a liability in IAS 137 to those of the RCF, staff recommend taking no action at this time. However, staff will continue to monitor the IASB's IAS 37 project and consider any possible consequential effects on Interpretation 1019 once the IAS 37 amendments have been determined.

Question for Board members

Q4 Do Board members agree with the staff recommendation in paragraph 49? If not, what do Board members suggest?

Interpretation 1031 paragraph 21

50 Interpretation 1031, which was originally issued in 2004, was issued to provide specific requirements on accounting for the goods and services tax (GST) in financial statements, particularly regarding the recognition of revenues, expenses and assets.

51 Paragraph 21 quotes the recognition basis for expenses in the CF, which focuses on decreases of economic benefits that have arisen and can be measured reliably. Staff note that the recognition criteria for expenses in the RCF focus on relevant information and faithful representation. As for Interpretation 1019, staff do not consider these definitions to be substantively different. However, again, staff note that the identification of expenses may differ because the definitions of assets and liabilities differ between the CF and the RCF, and the possible effect of these differences requires careful consideration.

52 Staff consider there are three possible options for addressing the CF reference in the Interpretation:

(a) if the Board agrees to amend the CF reference, the Board could either:

(i) add an AusCF21 paragraph which would reflect the text currently in paragraph 21, amend paragraph 21 to refer to the RCF and its criteria, and amend paragraph AusCF1, which presently refers only to the meaning of the term "reporting entity" and does not refer to the types of entities to which other AusCF paragraphs in the Interpretation would apply – that is, update Interpretation 1031 in the same way that AASB 2019-1 amended Standards; or

(ii) remove the CF reference and expense recognition criteria in the third sentence of paragraph 21 altogether and edit the fourth sentence of paragraph 21, which refers to recoverable taxes being excluded from the cost of inventories under AASB 102 *Inventories*. The fifth sentence also refers to AASB 116 *Property, Plant and Equipment* and AASB 138 requiring assets to be recognised at their cost, which excludes refundable purchase taxes such as recoverable GST. Paragraph AusCF1 would not need to be updated under this approach; or

(b) not to amend the CF reference, which is consistent with the approach taken in AASB 2019-1.

53 As the CF reference does not appear to require urgent updating to the RCF, the Board could defer consideration of the matter until it is appropriate to update other CF references discussed in this agenda paper (e.g. on completion of the IASB's rate-regulated activities and provisions projects and the Board's Conceptual Framework: Not-for-Profit Amendments project).

54 However, staff recommend the option in paragraph 52(a)(ii) as this option would update the Interpretation to refer only to mandatory pronouncements, which staff consider preferable. Staff note that for the option in paragraph 52(a)(i), there is no concise sentence in the RCF that could be used to easily update paragraph 21 of the Interpretation, which means this option would be more complicated to draft than the option in paragraph 52(a)(ii). Given the potential for confusion over CF and RCF references, staff do not recommend the option in paragraph 52(b).

Question for Board members

Q5 Do Board members agree that Interpretation 1031 should be updated?

a. If yes, do Board members agree with the option preferred by staff in paragraph 52(a)(ii) to update Interpretation 1031? If not, do Board members prefer the option in paragraph 52(a)(i), or is there another option Board members would like staff to consider?

b. If no, do Board members prefer the option in paragraph 52(b) or to defer addressing the CF reference as per paragraph 53?

Interpretation 1038 paragraph 34

55 Interpretation 1038 was issued in 2007 and applies only to public sector entities. The Interpretation provides guidance on how to account for certain transfers of assets (or assets and liabilities) to wholly owned public sector entities within the same group of entities that occur due to certain government decisions, including when those transfers should be recognised as a "contribution by owners".

56 Paragraph 34 refers to the definition of income in the CF to support the explanation that a contribution by owners cannot be redesignated as income because the increase in equity has already occurred (and can occur only once as the result of an inflow of economic benefits to an entity).

57 As for Interpretations 1019 and 1038, staff consider that there are no substantive differences in the definitions of income in the CF and the RCF, except to the extent that the identification of income differs because the definitions of assets and liabilities differ. In relation to the income definitions, both the CF and the RCF contain references to increases in equity. However, the RCF refers more directly to increases in assets and decreases in liabilities and to "contributions from holders of equity claims" instead of "contributions from equity participants", to which the CF refers.

58 Staff consider there are three possible options for addressing the CF reference in the Interpretation:

(a) if the Board agrees to amend the CF reference, the Board could either:

(i) add an AusCF34 paragraph that would reflect the text currently in paragraph 34, amend paragraph 34 to refer to the RCF and its criteria, and add a paragraph AusCF1 to explain the application of paragraph AusCF34 in the Interpretation – that is, update Interpretation 1038 in the same way that AASB 2019-1 amended Standards; or

(ii) remove the reference to the CF and update the definition of income in general terms (i.e. without reference to a specific conceptual framework pronouncement). Under this approach, AusCF paragraphs would not be required; or

(b) not to amend the CF reference, which is consistent with the approach taken in AASB 2019-1.

59 As the CF reference does not appear to require urgent updating to the RCF, the Board could defer consideration of the matter until it is appropriate to update other CF references discussed in this agenda paper (e.g. on completion of the IASB's rate-regulated activities and provisions projects and the Board's Conceptual Framework: Not-for-Profit Amendments project).

60 However, staff recommend the option in paragraph 58(a)(ii) as this option would be straightforward and result in fewer amendments to the Interpretation. Staff note that the option in paragraph 58(a)(i) is more complicated than the option in paragraph 58(a)(ii), as AusCF paragraphs are required. Given the potential for confusion over CF and RCF references, staff do not recommend the option in paragraph 58(b).

Question for Board members

Q6 Do Board members agree that Interpretation 1038 should be updated?

a. If yes, do Board members agree with the option preferred by staff in paragraph 58(a)(ii) to update Interpretation 1038? If not, do Board members prefer the option in paragraph 58(a)(i), or is there another option Board members would like staff to consider?

b. If no, do Board members prefer the option in paragraph 58(b) or to defer addressing the CF reference as per paragraph 59?

Interpretation 1052 paragraph 42

61 Interpretation 1052 was issued in 2005 to address the current and deferred tax accounting for entities that are part of an Australian tax-consolidated group, including the accounting for tax funding (or contribution) agreements between entities in that group.

62 Paragraph 42 refers to the definitions of income and expenses in the CF not being met in relation to the derecognition of a subsidiary's current tax liability or asset (which is assumed by the head entity in the tax consolidation group), because contributions by or distributions to "equity participants" are excluded as income or expenses under the definitions. The RCF definitions of income and expenses are similar, as they exclude increases or decreases in equity arising from contributions from or distributions to "holders of equity claims". Staff

consider it unlikely that the meaning of the CF and the RCF would be interpreted differently in this circumstance.

63 Staff consider there are three possible options for addressing the CF reference in the Interpretation:

(a) if the Board agrees to amend the CF reference, the Board could either:

(i) add an AusCF42 paragraph that would reflect the text currently in paragraph 42, amend paragraph 42 to refer to the RCF and "holders of equity claims", and add a paragraph AusCF1 to explain the application of paragraph AusCF42 in the Interpretation – that is, update Interpretation 1052 in the same way that AASB 2019-1 amended Standards; or

(ii) remove the reference to the CF and update the reference to income or expense in general terms (i.e. without reference to a specific conceptual framework pronouncement). AusCF paragraphs would not be required under this approach; or

(b) not to amend the CF references, which is consistent with the approach taken in AASB 2019-1.

64 As the CF reference does not appear to require urgent updating to the RCF, the Board could defer consideration of the matter until it is appropriate to update other CF references discussed in this agenda paper (e.g. on completion of the IASB's rate-regulated activities and provisions projects and the Board's Conceptual Framework: Not-for-Profit Amendments project). However, staff do not expect there to be any issues in this instance.

65 Accordingly, staff recommend the option in paragraph 63(a)(ii) as this option would be straightforward and result in fewer amendments to the Interpretation. Staff note that the option in paragraph 63(a)(i) is more complicated than the option in paragraph 63(a)(ii), as AusCF paragraphs are required. Given the potential for confusion over CF and RCF references, staff do not recommend the option in paragraph 63(b).

Question for Board members

Q7 Do Board members agree that Interpretation 1052 should be updated?

a. If yes, do Board members agree with the option preferred by staff in paragraph 63(a)(ii) to update Interpretation 10525? If not, do Board members prefer the option in paragraph 63(a)(i) or is there another option Board members would like staff to consider?

b. If no, do Board members prefer the option in paragraph 63(b) or to defer addressing the CF reference as per paragraph 64?

Next steps

66 Staff note the non-urgent nature of any amendments and therefore consider this a low-priority project, and the work required would be undertaken where priorities and time permit.

67 Subject to Board agreement with the staff recommendations in this paper, staff suggest the following next steps:

(a) staff review all domestic AASB pronouncements to identify any phrases from the CF that might require amendment;

(b) staff undertake targeted outreach to identify any possible unintended consequences that might arise if the CF references are updated to refer to the RCF, both as recommended in this agenda paper and as further assessed for other pronouncements; and

(c) staff continue to monitor the IASB's Rate-Regulated Activities and Provisions projects and the Board's Conceptual Framework: Not-for-Profit Amendments project with a view to addressing CF references that relate to those (and other) topics at an appropriate time.

Question for Board members
Q8 Do Board members have any questions or comments regarding the suggested next steps?

Appendix – CF references in domestic pronouncements

AASB 1048 paragraph 1	The objective of this Standard is to provide an up-to-date listing of Australian Interpretations and conceptual framework pronouncements to ensure the effectiveness of references in Australian Accounting Standards to Australian Interpretations and to the *Framework for the Preparation and Presentation of Financial Statements* (Framework) and the *Conceptual Framework for Financial Reporting* (Conceptual Framework). AASB and UIG Interpretations are referred to collectively in this Standard as Australian Interpretations.
AASB 1059 paragraph B46	The first recognition criterion requires the flow of economic benefits to the grantor. According to the *Framework for the Preparation and Presentation of Financial Statements*, as identified in AASB 1048 *Interpretation of Standards*, for not-for-profit entities, future economic benefits are synonymous with the notion of service potential. From the grantor's point of view, the primary purpose of a service concession asset is to provide service potential on behalf of the public sector grantor. Similar to an asset the grantor constructs or develops for its own use, the grantor would assess, at the time the costs of construction or development are incurred, the terms of the contract to determine whether, in addition to retaining control of the land on which the service concession asset is being developed, economic benefits embodied in the service concession asset are controlled by the grantor at that time.
Interpretation 1019 paragraph 9	A superannuation plan shall recognise a liability for the superannuation contributions surcharge when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
Interpretation 1019 paragraph 18	AASB 137 defines a liability as a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits. *The Framework for the Preparation and Presentation of Financial Statements* defines expenses as decreases in economic benefits during the reporting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Superannuation plans which hold surchargeable contributions are required to make an outflow of resources embodying economic benefits to the Australian Taxation Office. This Interpretation reflects the view that the obligation to make the outflow is a liability of the plan and gives rise to a corresponding expense.
Interpretation 1019 paragraph 20	AASB 137 requires a liability to be recognised when an entity has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be reliably estimated. This Interpretation requires that a liability for the surcharge be recognised by a plan when these recognition criteria are satisfied. The Interpretation does not require a liability to be recognised where an estimate is not reliable.

Interpretation 1031 paragraph 21	Where an entity undertakes taxable and GST-free activities, it is entitled to claim input tax credits and recover from the taxation authority the GST included in the purchase price of supplies. This Interpretation reflects the view that in these cases the GST is not part of the cost of the asset acquired or the expense incurred. This is consistent with the *Framework for the Preparation and Presentation of Financial Statements*, which states that 'expenses are recognised in the income statement when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.' It is also consistent with AASB 102, which provides that the cost of purchase of inventories does not include taxes that are subsequently recoverable from the taxing authorities. In addition, AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* require assets acquired to be recognised at their cost, being the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction (production). Therefore, recoverable GST would not be included in the cost of acquisition.
Interpretation 1038 paragraph 34	This Interpretation does not permit a contribution by owners to be redesignated as income. The definition of income under the *Framework for the Preparation and Presentation of Financial Statements* indicates that an inflow of economic benefits that results in an increase in equity (other than increases relating to contributions from equity participants) has occurred. A transfer to an entity increases its equity only once, and the transferee's equity does not increase at the time of any intended redesignation.
Interpretation 1052 paragraph 42	The derecognition of a subsidiary's current tax liability (or asset) is treated under this Interpretation as a contribution by (or distribution to) the head entity, in conjunction with any tax funding arrangement amounts, on the basis that the transaction is with the parent in its capacity as the parent. The definition of "income" (or "expenses") in the *Framework for the Preparation and Presentation of Financial Statements*[1] cannot be satisfied, as the decrease in the subsidiary's current tax liability (or asset) results from a contribution by or distribution to equity participants. This Interpretation does not prescribe which equity accounts are to be adjusted by subsidiaries for tax-consolidation contributions or distributions. 1 The reference is to the *Framework for the Preparation and Presentation of Financial Statements* adopted by the AASB in 2004 and in effect when the Interpretation was developed.