Australian Government
Australian Accounting Standards Board

Staff Paper

Project:	**Not-for-Profit Private Sector Financial Reporting Framework**	**Meeting:**	June 2022 (M188)
Topic:	**Application of the recommended disclosure approach to transactions covered in Tier 3 Standard**	**Agenda Item:**	12.3.2
Contact(s):	Ao Li ali@aasb.gov.au Fridrich Housa fhousa@aasb.gov.au	**Date of this paper:**	6 June 2022
		Project Priority:	High
		Decision-Making:	High
		Project Status:	Initial deliberations

Objectives of this paper

1 The objective of this staff paper is for the Board to:

(a) **decide** its preliminary views on draft disclosure requirements for inclusion as part of a discussion paper (DP) for the following topics:

(i) investment property and property, plant & equipment;

(ii) leases; and

(iii) change in accounting policies and correction of errors; and

(b) **consider** staff preliminary consideration on the method to develop disclosure requirements for other key topics[1] to be included in the DP, including:

(i) revenue/income;

(ii) consolidated financial statements;

(iii) impairment of non-financial assets;

(iv) employee benefits; and

(v) financial instruments.

2 This paper is only relevant if the Board decides to adopt the staff recommended approach (Option A) in Agenda Paper 12.3.1 (paragraph 7) to develop disclosure requirements for Tier 3 disclosure requirements for a not-for-profit (NFP) private sector entity.

Structure of the paper

3 This paper is structured as follows:

(a) examples applying the recommended approach to developing disclosures for transactions covered in Tier 3 Standard (paragraphs 4 – 12) for the following topics:

1 See Agenda Paper 4.1 (M182) August 2021 for the scope of key topics, for the purpose of the DP, to be included in the Tier 3 Standard. For other possible future topics likely to be included in the Tier 3 requirements that have been not identified to date as an area of significant interest by stakeholders and beyond terminology and language where staff have not identified any specific areas for simplification, staff plan to bring suggested drafting for these topics, primarily based on the NZ PBE SFR – A (NFP), for the Board's consideration in the next stage of the project (e.g. an exposure draft (ED)).

(i) Example A – investment property and property, plant & equipment (paragraphs 5 – 6)

(ii) Example B – leases (paragraphs 7 – 8)

(iii) Example C – change in accounting policies and correction of errors (paragraphs 9 – 10);

(b) staff preliminary considerations on disclosure requirements for other key topics to be included in the DP (paragraphs 11 – 12).

Applying the recommended approach to develop disclosure requirements for transactions covered in Tier 3 Standard

4 Examples A–C illustrate the application of the proposed approach in paragraph 7 in AP 12.3.1 to develop disclosure requirements. Any mark-ups in the proposed disclosures reflect proposed changes to applicable base requirements (e.g. AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* or applicable requirements from other international jurisdictions) for the purpose of Tier 3 disclosure requirements. When removing words, phrases, sentences or paragraphs, existing text in the selected base requirements is struck through, and new words are added and underlined. Paragraph numbers for the proposed requirements cross-reference with the Tier 3 Standard and other corresponding Australian Accounting Standards (AAS), and alignment of terms and language with the Tier 3 Standard were not updated for the purposes of this paper.

Example A – Investment Property and Property, Plant & Equipment (PP&E)

Proposed R&M Requirements for Tier 3

5 The Board decided at its February and April 2022 meetings to propose that, for the purpose of the DP, Tier 3 reporting requirements for investment property and PP&E other than the initial measurement of non-financial assets acquired for significantly less than fair value should require:

(a) initial measurement of non-financial assets acquired for significantly less than fair value should allow an entity an accounting policy choice at cost or fair value in accordance with AASB 13 *Fair Value Measurement*;[2]

(b) separate classification, recognition and measurement requirements for investment property versus property, plant and equipment (PP&E).

(c) subsequent measurement as specified in AASB 140/AASB 116 for:

(i) investment property using either the cost model or the fair value model; and

(ii) PP&E using either the cost model or the revaluation model (with guidance to be developed for depreciation under the revaluation model); and

(d) all borrowing costs to be recognised as an expense when incurred, which would be a simplification of the requirements in AASB 123 *Borrowing Costs*.[3]

2 Refer to Minutes of the 186th meeting of the AASB (April 2022) and Agenda paper 4.3 (M186), April 2022.

3 Refer to Minutes of the 185th meeting of AASB (February 2022) and Agenda paper 11.2 (M185), February 2022.

Table 1 **Analysis and evaluation of the proposed disclosures against the proposed approach – Investment Property and PP&E**

	Is there any R&M difference between Tier 3 and upper tiers?	**Comparable jurisdictions/frameworks (R&M)**	**Recommended method for developing disclosure requirements**
Initial measurement of non-financial assets acquired for significantly less than fair value	Yes – simplification provided to Tier 3 entities by allowing accounting policy choice at cost or fair value in accordance with AASB 13	Unique to Tier 3, however, similar to the current requirement measuring right-of-use (ROU) assets arising under concessionary leases at cost in AASB 16.	**Method 3**[4] – Develop fit-for-purpose disclosures with the current disclosure requirements in AASB 1060 for ROU assets arising under concessionary leases as the base to start.
R&M for investment property and PP&E other than the initial measurement of non-financial assets acquired for significantly less than fair value	No R&M difference between Tier 3 and current requirements in AASB 140 and AASB 116	N/A	**Method 1** – Adopt the current disclosure requirements in AASB 1060 with minor tailoring to align terms and languages with Tier 3 reporting requirements and update cross-references with applicable paragraphs in the Tier 3 Standard. No further simplification for disclosures from current AASB 1060 requirements is recommended at this stage.
Borrowing costs	Yes – Tier 3 Standard offers a simplification of the requirements in AASB 123 *Borrowing Costs*, under which requirement, an entity is also required to capitalise borrowing costs where it meets the criteria for capitalisation.	*IFRS for SMEs* Standard	**Method 2** – Adopt the applicable requirements in the *IFRS for SMEs* Standard, which is to not have any specific disclosure requirements for borrowing costs.

4 Refer to paragraph 7 in Agenda Paper 12.3.1 for detailed description of method 1 – 3.

6 Applying the recommended approach from Table 1 above, staff recommend the following disclosure for investment property and PP&E:

Figure 1 Draft disclosure requirements – Investment Property and PP&E

~~Not-for-profit lessees – Leases with significantly below-market terms and conditions~~

Non-financial assets acquired for significantly less than fair value

1 ~~In addition to the disclosures required in paragraphs 144–146, where a lessee is~~ When a not-for-profit entity ~~and~~ elects to measure a class or classes of ~~right-of-use assets~~ non-financial assets acquired for significantly less than fair value to further its objectives at initial recognition at cost in accordance with paragraphs ~~23–25~~ XX of ~~AASB 16 for leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives~~, the ~~lessee~~ entity shall disclose information that helps users of financial statements to assess~~:~~

~~(a)~~ the entity's dependence on ~~leases that have significantly below-market terms and conditions~~ non-financial assets acquired for significantly less than fair value principally to enable the entity to further its objectives.~~; and~~

~~(b) the nature and terms of the leases, including:~~

(i) ~~the lease payments;~~

(ii) ~~the lease term;~~

(iii) ~~a description of the underlying assets; and~~

(iv) ~~restrictions on the use of the underlying assets specific to the entity.~~

2 The disclosures provided by a not for profit entity in accordance with paragraph ~~151~~ XX shall be provided individually for each material ~~lease that has significantly below-market terms and conditions~~ non-financial asset acquired for significantly less than fair value principally to enable the entity to further its objectives or in aggregate for ~~leases involving right-of-use~~ non-financial assets of a similar nature. An entity shall consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the various requirements. An entity shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have substantially different characteristics.

[*Based on AASB 1060 paragraphs 151–152*]

Property, Plant and Equipment and Investment Property at Cost~~[1]~~

1 An entity shall disclose the following for each class of property, plant and equipment determined in accordance with paragraph ~~44(a)~~ XX and separately for investment property carried at cost less accumulated depreciation and impairment:

(a) the measurement bases used for determining the gross carrying amount;

(b) the depreciation methods used;

(c) the useful lives or the depreciation rates used;

(d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period; and

(e) a reconciliation of the carrying amount at the beginning and end of the reporting period, showing separately:

(i) additions;

(ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with ~~AASB 5~~ paragraph XX and other disposals;

(iii) acquisitions through business combinations;

(iv) increases or decreases resulting from revaluations under paragraph XX and from impairment losses recognised or reversed in other comprehensive income in accordance with ~~AASB 136~~ paragraph XX *Impairment of Assets*;

(v) transfers to and from investment property carried at fair value through profit or loss (see paragraph ~~57 of AASB 140~~ XX *Investment Property*);

(vi) impairment losses recognised or reversed in profit or loss in accordance with ~~AASB 136~~ paragraph XX;

(vii) depreciation; and

(viii) other changes.

This reconciliation need not be presented for prior periods.

Footnote: ~~1 Corresponding AASB Standards:~~

~~AASB 116 *Property, Plant and Equipment*: and~~

~~AASB 140 *Investment Property*.~~

[*Based on AASB 1060 paragraph 134*]

2 An entity shall also disclose the following:

(a) the existence and carrying amounts of property, plant and equipment to which the entity has restricted title or that is pledged as security for liabilities;

(b) the amount of contractual commitments for the acquisition of property, plant and equipment; and

(c) if an entity has investment property whose fair value cannot be measured reliably, it shall disclose that fact and the reasons why fair value cannot be measured reliably for those items of investment property.

[*Based on AASB 1060 paragraph 135*]

3 If items of property, plant and equipment are stated at revalued amounts, an entity shall disclose the following:

(a) the effective date of the revaluation;

(b) whether an independent valuer was involved;

(c) the methods and significant assumptions applied in estimating the items' fair values; and

(d) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to ~~shareholders~~ owners/members (if any).

[*Based on AASB 1060 paragraph 136*]

Question 1 to the Board:

Do Board members agree with the staff recommended disclosure requirements for Investment Property and Property, Plant and Equipment in Figure 1 above?

If not, which alternative drafting do the Board members prefer?

Example B – Leases

Proposed R&M Requirements for Tier 3

7 The Board decided to propose, at its November 2021 meeting, for the purpose of the DP, that Tier 3 reporting requirements for leases (other than concessionary leases) should require a lessee (lessor) to:

(a) recognise lease payments as an expense (income), supplemented by disclosure of information about the entity's lease commitments; and

(b) measure the lease expense (income) on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the user's benefit.[5]

Table 2 Analysis and evaluation of the proposed disclosures against the proposed approach – Leases

	Is there any R&M difference between Tier 3 and upper tiers?	**Comparable jurisdictions/frameworks (R&M)**	**Recommended method for developing disclosure requirements**
Lessee	Yes – Proposed Tier 3 R&M requirements are similar to reporting requirements for operating leases in AASB 117 *Leases* and lessees are not required to recognise ROU, which is different from the approach in AASB 16.	Recognition: NZ PBE SFR-A (NFP), where all leases are treated the same; Measurement: similar to accounting for operating leases in UK FRS 102, UK FRS 105, UK Charities SORP, Singapore CAS, HK SME-FRF & SME-FRS, Canada ASNPFO.	**Method 2** – Adopt the disclosure requirements for operating leases in Singapore CAS, which is same as the disclosure requirements in AASB 117 for operating leases. Staff consider that Tier 3 entities would be familiar with these pre-AASB 16 disclosure requirements and therefore the transition would be easier.
Lessor	All leases are treated in a similar manner to that currently required for leases classified as an 'operating lease'. No further classification (i.e. operating versus finance leases) is required. There is no R&M difference between Tier 3 and current operating lease requirements in AASB 16 for lessors.	N/A	**Method 1** – Adopt the current disclosure requirements in AASB 1060 for operating leases, tailoring to align terms and language with Tier 3 reporting requirements, and updating cross-references with applicable paragraphs in the Tier 3 Standard. No further simplification for disclosures from current AASB 1060 requirements is recommended at this stage.

5 Minutes of the 184th meeting of the AASB (November 2021) and Agenda paper 7.3 (M184), November 2021.

8 Applying the recommended approach from Table 2 above, staff recommend the following disclosure for leases:

Figure 2 Draft disclosure requirements – Leases

Leases~~-~~ – Lessees

1 Lessees shall make the following disclosures for leases:

(a) the total of future minimum lease payments under non-cancellable leases for each of the following periods:

(i) not later than one year;

(ii) later than one year and not later than five years;

(iii) later than five years.

(b) lease payments recognised as expenditure in the Statement of ~~Financial Activities~~ Profit or Loss and Other Comprehensive Income during the financial period; and

(c) a general description of the lessee's significant leasing arrangements including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements.

[*Based on the Singapore Accounting Standards* – Charity Accounting Standard *paragraph 429*]

~~Operating~~ Leases – Lessors

1 A lessor shall disclose the following for operating leases:

(a) the future lease payments under non-cancellable ~~operating~~ leases for each of the following periods:

(i) not later than one year;

(ii) later than one year and not later than five years; and

(iii) later than five years;

(b) total variable lease payments that do not depend on an index, or a rate, recognised as income; and

(c) a general description of the lessor's significant leasing arrangements, including, for example, information about variable lease payments, renewal or purchase options and escalation clauses and restrictions imposed by lease arrangements.

[*Based on AASB 1060 paragraph 148*]

2 In addition, the requirements for disclosure about assets in accordance with the sections covering of Property, Plant and Equipment and Investment Property at Cost, Intangible Assets other than Goodwill, and Impairment of Assets apply to lessors for assets provided under ~~operating~~ leases.

[*Based on AASB 1060 paragraph 149*]

Question 2 to the Board:

Do Board members agree with the staff recommended disclosure requirements for Leases in Figure 2 above?

If not, which alternative drafting do the Board members prefer?

Example C – Change in Accounting Policies and Correction of Errors

Proposed R&M Requirements for Tier 3

9 The Board decided to propose, at its August 2021 meeting, for the purpose of the DP, requiring a limited retrospective approach for accounting for changes in accounting policies (both voluntary changes and required changes where no specific transition requirements apply) and for corrections of errors. The limited retrospective approach recognises the cumulative effects on prior periods in the current period's opening retained earnings without restating the comparative period(s).[6]

Table 3 Analysis and evaluation of the proposed disclosures against the proposed approach – Accounting for change in accounting policies and correction of errors

	Is there any R&M difference between Tier 3 and upper tiers?	**Comparable jurisdictions/frameworks (R&M)**	**Recommended method for developing disclosure requirements**
Change in Accounting policies	Yes – simplification provided to Tier 3. However, the approach for Tier 3 is a form of the current approach in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* with the "impracticable out" from restating comparatives.	None	**Method 3** – Develop fit-for-purpose disclosure requirements by starting from the current requirements in AASB 1060 and removing non-applicable disclosure requirements. (Note: staff will bring draft disclosures related to transition for Board consideration in the next stage of the project)
Correction of errors	Yes – simplification provided to Tier 3. However, the approach for Tier 3 is a form of the current approach in AASB 108 with the "impracticable out" from restating comparatives.	NZ PBE SFR-A(NFP)	**Method 2** – Adopt the applicable disclosure requirements in NZ PBE SFR-A(NFP) (paragraph 212) and adjusting for Australian Tier 3-specific circumstances.

10 Applying the recommended approach from Table 3 above, staff recommend the following disclosure for change in accounting policies and correction of errors:

Figure 3 Draft disclosure requirements – Accounting for change in accounting policies and correction of errors

Disclosure of a change in accounting policy

1 When a voluntary change in accounting policy has an effect on the current period or any prior period, an entity shall disclose the following:

(a) the nature of the change in accounting policy;

6 Refer to Minutes of the 182nd meeting of the AASB (August 2021) and Agenda paper 4.3 (M182), August 2021.

(b) the reasons why applying the new accounting policy provides reliable and more relevant information;

(c) to the extent practicable, the amount of the adjustment for each financial statement line item affected, shown separately:

(i) for the current period; and

(ii) ~~for each prior period presented; and~~

(iii) in the aggregate for all affected prior periods. [7] ~~before those presented; and~~

~~(d) an explanation if it is impracticable to determine the amounts to be disclosed in (c).~~

Financial statements of subsequent periods need not repeat these disclosures.

[*Based on AASB 1060 paragraph 108*]

Disclosure of prior period errors

1 An entity shall disclose the following about prior period errors:

(a) ~~the nature of the prior period error~~ a description of the error, including how the error occurred [8], and how it was corrected; and

(b) ~~for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected~~ the line items and amounts that have been corrected.

~~(c) to the extent practicable, the amount of the correction at the beginning of the earliest prior period presented; and~~

~~(d) an explanation if it is not practicable to determine the amounts to be disclosed in (b) or (c).~~

Financial statements of subsequent periods need not repeat these disclosures.

[*Based on AASB 1060 paragraph 110*]

Question 3 to the Board:

Do Board members agree with the staff recommended disclosure requirements for change in accounting policies and correction of errors in Figure 3 above?

If not, which alternative drafting do the Board members prefer?

7 Staff consider further simplification could be provided to disclosure requirements on change in accounting policies by removing draft paragraph 1(c), depending on the Board decision on whether a statement of changes in equity should be required as part of Tier 3 requirements. Staff consider paragraph 1(c) should be kept to reflect the cumulative impact of change in accounting policies on the entities in absence of a statement of changes in equity.

8 As mentioned in paragraph 19 of agenda paper 12.3.1, a stakeholder [regulator] suggested specifying how the error occurred based on the consideration of an explanation of how the error occurred would help users understand what the error is and how it took place (e.g. it can be any fraudulent activities discovered by the charity later).

Staff preliminary consideration on disclosure requirements for other key topics to be included in the DP

11 Table 4 lists staff preliminary considerations on the method to develop disclosure requirements for the following other key topics[9] to be included in the DP:

(a) revenue/income;

(b) consolidated financial statements;

(c) impairment of non-financial assets;

(d) employee benefits; and

(e) financial instruments.

12 Subject to the Board decision on the staff recommended approach to develop Tier 3 disclosure requirements, staff will bring the draft disclosure requirements for these topics to be included in the Tier 3 Standard, as part of the DP, for the Board consideration at its August meeting.

9 See Agenda Paper 4.1 (M182) August 2021 for the scope of key topics, for the purpose of the DP, to be included in the Tier 3 Standard.

Table 4 Staff preliminary thinking on disclosure requirements for other key topics to be included in the DP

	Is there any R&M difference between Tier 3 and upper tiers?	Comparable jurisdictions/frameworks (R&M)	Staff preliminary consideration on method to developing disclosure requirements
Revenue/Income	Yes – Proposed Tier 3 R&M requirements are to assess whether a transaction is based on a common understanding, evidenced by the transfer provider, that the entity is expected to use the inflows of resources in a particular way or act or perform in a particular way that results in outflows of resources. Income is recognised in the manner that most faithfully represents the amount and pattern of consumption by the entity of the resources received.	Similar to accounting for donations, bequests and pledges in NZ PBE SPR-A (NFP) accounting requirements. It does not require an entity to consider if the common understanding is specific enough.	**Method 3** – Develop fit-for-purpose disclosures based on the current NZ PBE SPR-A (NFP) disclosure requirements and add other relevant disclosures from current AASB 1060 requirements to address Australian Tier 3-specific circumstances.
Consolidated financial statements	Yes – Proposed Tier 3 requirements provide Tier 3 entities with the choice of presenting either consolidated financial statements that consolidate all its controlled entities as specified by AASB 10 *Consolidated Financial Statements* (which is the current requirement for Tier 2), or separate financial statements as its only financial statements. Where an entity presents separate financial statements as its only financial statements, the Board formed a tentative view that disclosure of the entity's 'significant relationships' should be required, to provide users of the financial statements with information on the other entities that could significantly affect the entity's future financial position or performance.[1]	Similar to the requirements in Canada where NFP private sector entities may prepare financial statements that comply with IFRS or with the requirements set out in Part III Accounting Standards for Not-for-Profit Organizations (ASNPO) of the CPA Canada Handbook. Section 4450 of Part III specifies that a Canadian NFP entity has an accounting policy choice in how it accounts for the entities it controls, depending on the types of controlled entity: (a) for its NFP controlled entities: by consolidation, or by disclosure. The extent of disclosure varies depending on whether the controlled entity is	**Method 2** – Adopt the applicable disclosure requirements in Part III Accounting Standards for Not-for-Profit Organizations (ASNPO) of the CPA Canada Handbook and adjusting for Australian Tier 3-specific circumstances.

1 The Board decided at its February 2022 meeting that the DP explicitly state that the Board has not yet formed a view on the definition of 'significant relationships'. This will allow the Board to address the definition following feedback received from the DP whether stakeholders support allowing a choice for Tier 3 reporting requirements to present consolidated financial statements or separate financial statements. Refer to Agenda Paper 11.1 Feb 2022 (M185).

	Is there any R&M difference between Tier 3 and upper tiers?	Comparable jurisdictions/frameworks (R&M)	Staff preliminary consideration on method to developing disclosure requirements
		individually immaterial or otherwise, but includes, for each material unconsolidated controlled entity, summary financial information about the controlled entity. For immaterial controlled entities, the disclosures include the reasons why the controlled entity has not been consolidated; (b) for its for-profit controlled entities: by consolidation, or by applying the equity method. Where the equity method is used, summary financial information about the entity is required.	
Impairment of non-financial assets	***Inventory***: No R&M differences between Tier 3 and upper tiers ***Non-financial assets other than inventory:*** Yes – different in the following aspects: - **Scope**: proposed Tier 3 R&M only requires non-financial assets subsequently carried at cost or deemed cost should be subject to impairment testing, whereas the current Tier 2 requirements require impairment testing for most of the non-financial assets;[2]	***Inventory:*** N/A ***Non-financial assets other than inventory:*** Unique to Tier 3.	***Inventory***: **Method 1** – Adopt the current disclosure requirements in AASB 1060 for inventory (paragraphs 123–124 of AASB 1060) ***Non-financial assets other than inventory:*** **Method 3** – Develop fit-for-purpose disclosures based on the current AASB 1060 disclosure requirements and tailor for Tier 3 specific R&M requirements (e.g. requiring disclosure for circumstances where the presumption for impairment model is rebutted) (paragraphs 169–170 of AASB 1060).

2 Non-financial assets that are not held primarily for their ability to generate net cash inflows as they are specialised and held for continuing use or service capacity that are regularly revalued to fair value under AASB 116 *Property, Plant and Equipment* or AASB 138 *Intangible Assets* are outside the scope of AASB 136 *Impairment of Assets.*

	Is there any R&M difference between Tier 3 and upper tiers?	Comparable jurisdictions/frameworks (R&M)	Staff preliminary consideration on method to developing disclosure requirements
	- **Timing**: a Tier 3 entity is proposed to 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; - **Methodology:** proposed Tier 3 R&M requirements adopt the approach in AASB 136 (i.e. compare the assets' recoverable amount to the carrying amount, where the recoverable amount is the higher of fair value less costs of disposal and value in use or replacement cost) which is same as current Tier 2 impairment model. However, the proposed impairment model for Tier 3 will include a rebuttable assumption 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.		

	Is there any R&M difference between Tier 3 and upper tiers?	Comparable jurisdictions/frameworks (R&M)	Staff preliminary consideration on method to developing disclosure requirements
Employee benefits	Yes – Proposed Tier 3 R&M requirements simplify the current requirement that all short-term and long-term employee benefits shall be measured on an undiscounted basis.	***Short-term employee benefits:*** The same approach adopted by the UK Charities SORP.	***Short-term employee benefits:*** **Method 2** – Adopt the approach in UK Charity SORP, which does not require any additional disclosures on short-term employee benefits other than employee benefit-related expenses to be recognised on PFS.[3] Following the approach in UK Charity SORP, staff consider the Tier 3 Standard does not need to specify any disclosure requirements under the section for short-term employee benefits. However, staff consider the Tier 3 Standard should require, for example, disclosures about employee benefits for key management personnel as part of related-party transactions disclosure and presentation of employee benefit expenses on the primary financial statements.
		Long-term employee benefits: Unique to Tier 3	***Long-term employee benefits:*** **Method 3** – Develop fit-for-purpose disclosures based on AASB 1060 and adjusting where relevant. Currently, AASB 1060 does not require specific disclosures about other long-term employee benefits (e.g. long-service leave). However, the Board decided to develop guidance in the form of a rebuttable presumption for application relating to measurement of long-service leave reflecting the probability of payment will be required.

3 UK Charity SORP also includes some charity-specific employee benefits disclosure requirement, which staff consider would not be applicable to the Tier 3 Standard.

	Is there any R&M difference between Tier 3 and upper tiers?	Comparable jurisdictions/frameworks (R&M)	Staff preliminary consideration on method to developing disclosure requirements
Financial Instruments	For the financial instruments discussed at the April 2022 Board meeting: Yes – proposed Tier 3 R&M to require transaction costs that are directly attributable to the acquisition or issue of a financial asset/ liability to be expensed. Financial assets/ liabilities to be subsequently measured at cost except for financial assets held to generate both income and capital return for the entity (measured at FVTOCI) and derivative financial instruments (measured at FVTPL Note: The Board will be discussing the remainder of the topics for financial instruments at this meeting.	Unique to Tier 3	**Method 3** – Develop fit-for-purpose disclosures based on AASB 1060 and adjusting where relevant.

Question 4 to the Board:

Do Board members have any feedback/comments on the staff preliminary thinking on the method to apply for drafting disclosure requirements for:

(a) revenue/income;

(b) consolidated financial statements;

(c) impairment of non-financial asset;

(d) employee benefits; and

(e) financial instruments?