



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 227
4 December 2023

Welcome to the AASB Action Alert

The AASB Board met in public and in private on 29-30 November 2023. At the meeting, the Board made key decisions in relation to:

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

[Forthcoming IFRS 18 Presentation and Disclosure in Financial Statements](#)

The Board also discussed the following topics:

[Post-implementation Review – Income of Not-for-Profit Entities](#)

[Subsidiaries without Public Accountability and AASB 1060](#)

[IASB Update – Primary Financial Statements](#)

[Sustainability Reporting Update](#)

[Research Update](#)

Not-for-Profit Private Sector Financial Reporting Framework

The Board is continuing to develop its Exposure Draft of a proposed Tier 3 financial reporting framework for not-for-profit private sector entities. At this meeting, the Board decided to include the following proposals or approaches in the ED:

- (a) an accounting policy choice for an entity to prepare separate financial statements, with disclosure of the notable relationships with other entities (including their primary purpose and an indication of the nature of their operations), as an alternative to preparing consolidated financial statements. The notable relationships assessment will be based on the factors set out in AASB 128 *Investments in Associates and Joint Ventures* for determining the existence of significant influence over another entity, and would include controlled and jointly controlled entities (although they do not need to be identified as such for the separate financial statements);

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- (b) an accounting policy choice for an entity preparing separate financial statements, whether in addition to consolidated financial statements or as its only financial statements, to measure its investments in subsidiaries and (if applicable) its notable relationship entities at cost, at fair value or by applying the equity method of accounting;
- (c) require a parent entity preparing consolidated financial statements to measure its investments in associates and joint ventures in those financial statements by applying the equity method in accordance with AASB 128;
- (d) an accounting policy choice to measure investments in associates and joint ventures at cost, at fair value or by applying the equity method, for:
 - (i) a parent entity preparing separate financial statements in addition to consolidated financial statements; and
 - (ii) an investor without subsidiaries presenting individual, equity-accounted or separate financial statements as its only financial statements;
- (e) require the same accounting policy to be applied for all investments in a single class but permit different policies for different classes;
- (f) not to include the consolidation exemptions available to an investment entity set out in AASB 10 *Consolidated Financial Statements*; and
- (g) require related party disclosures consistent with Tier 2 requirements, except for donations from a related party unless there is evidence that the donations could influence the entity's activities or use of resources;
- (h) include the following financial instruments in the scope of the Tier 3 requirements as basic or commonly held financial instruments (in addition to those listed in the preceding Discussion Paper):
 - (i) listed corporate bonds; and
 - (ii) non-convertible preference shares redeemable for a known amount of cash or the amount of cash equivalent to their share of the net assets of the entity;
- (i) require the application of Tier 2 requirements to more complex financial instruments and financial instruments not commonly held by Tier 3 entities, but with hedge accounting prohibited;
- (j) require transaction costs arising from financial assets and financial liabilities to be expensed when incurred;



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- (k) require financial assets held for capital return and income that are in the scope of the Tier 3 requirements to be measured subsequently at fair value through profit or loss, subject to an irrevocable election available on initial recognition to recognise changes in fair value through other comprehensive income for a class of instruments;
- (l) not to require an entity to recognise provisions of non-vesting accumulating employee benefits, unless the amounts are due and payable;
- (m) not to require an entity to consider future pay increases when determining a provision for employee benefits measured at the undiscounted future outflow expected to be required to settle the present obligation; and
- (n) require a modified retrospective approach to the correction of prior period accounting errors.

Forthcoming IFRS 18 *Presentation and Disclosure in Financial Statements*

The Board discussed significant presentation and disclosure amendments expected to be incorporated in the forthcoming Accounting Standard IFRS 18 *Presentation and Disclosure in Financial Statements*, which is expected to be issued by the IASB in 2024 for application to periods beginning on or after 1 January 2027. For example, IFRS 18 is expected to require the disclosure of additional sub-totals in the statement of profit or loss as well as disclosures about management-defined performance measures.

The Board decided to undertake outreach with stakeholders regarding the need for Australian guidance or modifications in applying the equivalent AASB Standard to the following types of entities:

- (a) not-for-profit private sector entities;
- (b) Whole of Government and General Government Sector;
- (c) other public sector entities; and
- (d) entities preparing Tier 2 general purpose financial statements in accordance with AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

The Board also decided to monitor the IPSASB's Presentation of Financial Statements project, including requesting comments from Australian stakeholders on the IPSASB's planned Consultation Paper.

Post-implementation Review – Income of Not-for-Profit Entities

The Board discussed the feedback received in response to a number of the topics in Invitation to Comment ITC 50 *Post-implementation Review – Income of Not-for-Profit Entities*, in particular Topic 1:



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Sufficiently specific criterion and the legal interpretation of agreements, Topic 2: Capital grants and Topic 6: Termination for convenience clauses.

The Board directed staff to conduct further targeted outreach to assist the Board in deciding on the next steps, particularly for Topic 1, and noted the need for additional guidance to clarify the types of non-financial assets that could be subject to “capital grant accounting” (Topic 2). The Board will consider the remaining ITC 50 topics and next steps at subsequent meetings.

Subsidiaries without Public Accountability and AASB 1060

The Board noted that the IASB is expected to issue an IFRS Standard for Subsidiaries without Public Accountability in 2024 that would permit eligible subsidiaries to reduce the disclosures in their general purpose financial statements, which nevertheless would still be required to comply with the recognition and measurement requirements of IFRS Standards.

The Board discussed whether the forthcoming IFRS Standard should be adopted in Australia and the potential implications of adoption for the retention or amendment of AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. The Board decided that outreach regarding the issues should be conducted as part of the post-implementation review of AASB 1060. Since amendments may be made to AASB 1060 to reflect IASB changes to its *IFRS for SMEs* Standard, the Board also decided to consider the outcomes of the current IASB review of that Standard before making a decision on the adoption of the Subsidiaries Standard in Australia.

IASB Update – Primary Financial Statements

IASB Board member Ann Tarca and staff member Roanne Hasegawa presented an overview of the IASB’s decisions under its Primary Financial Statements project. Those decisions will be incorporated into a new Standard, IFRS 18 *Presentation and Disclosure in Financial Statements*, which is expected to be issued in 2024 for application to periods beginning on or after 1 January 2027. The new IFRS Standard principally would replace IAS 1 *Presentation of Financial Statements* and amend IAS 7 *Statement of Cash Flows*.

Sustainability Reporting Update

The Board received an update on international and jurisdictional sustainability reporting developments.

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Research Update

The Board noted recent and upcoming Research Centre activities, including:

- (a) the release of research reports on making materiality judgements:
 - (i) AASB Research Report 21 *Auditors' Perspectives: The Impacts of IFRS Practice Statement 2 Making Materiality Judgements* (October 2023); and
 - (ii) AASB Research Report 22 / MASB Research Report 2 *Making Materiality Judgements – Malaysian Preparers and Auditors' Perspectives* (October 2023);
- (b) the October 2023 Dialogue Series session about navigating the Accounting Standards, including a demonstration of the functionality and usability of the new AASB pronouncements web portal;
- (c) the upcoming December 2023 Dialogue Series session, which will discuss the challenges and practical issues in making materiality judgements in financial reporting;
- (d) the 2023 AASB Research Forum, which was held in Brisbane, broadcast live in a Melbourne venue and also accessible through a virtual platform;
- (e) tentative plans for the 2024 AASB Research Forum; and
- (f) monitoring activities related to digital assets and digital corporate reporting projects.

Recently Approved Documents

Since last reported (Action Alert, 13 October 2023), the Board has not approved any Standards, Exposure Drafts or other proposal documents.

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, the IPSASB and other organisations are published on the AASB website.

Issuer	Document	AASB No.	AASB Due Date	Other Organisation Due Date
AASB	ED 326 Annual Improvements to Australian Accounting Standards – Volume 11	ED 326	closed	11 December 2023
IPSASB	IPSASB Strategy and Work Program 2024-2028	–	–	15 February 2024



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Issuer	Document	AASB No.	AASB Due Date	Other Organisation Due Date
AASB	ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information	ED SR1	1 March 2024	–

AASB Board Future Meeting Dates (tbc)

7-8 March 2024

16 April 2024

6-7 June 2024

26 June 2024

5-6 September 2024

7-8 November 2024

March 2024 AASB meeting

The Board is expected to address the following agenda items:

Not-for-Profit Private Sector Financial Reporting Framework

Post-implementation Review – Income of Not-for-Profit Entities

Post-implementation Review – Superannuation Entities

Service Performance Reporting