



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 231

12 June 2024

Welcome to the AASB Action Alert

The AASB Board met in public and in private on 6 – 7 June 2024. At the meeting, the Board made key decisions in relation to:

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

[Climate-related Financial Disclosure](#)

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

[Conceptual Framework – Not-for-Profit Amendments](#)

[Business Combinations – Disclosures, Goodwill and Impairment](#)

The Board also discussed the following topics:

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

[Research Report](#)

AASB 18 Presentation and Disclosure in Financial Statements

The Board voted to make Accounting Standard AASB 18 *Presentation and Disclosure in Financial Statements*, which incorporates IFRS 18 *Presentation and Disclosure in Financial Statements*. The Standard is expected to be published shortly.

AASB 18 applies to entities as follows, with earlier application permitted:

- (a) for-profit entities, other than superannuation entities, for annual periods beginning on or after 1 January 2027; and
- (b) not-for-profit (NFP) private sector entities, NFP public sector entities and superannuation entities for annual periods beginning on or after 1 January 2028.

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The Board decided to commence, as soon as feasible, further outreach with stakeholders on applying AASB 18 to NFP entities and superannuation entities. Depending on the outcomes of the outreach, the Board will consider making modifications to AASB 18 for application by these entities. Consequently, the Board deferred the application date of AASB 18 for these entities by one year, as indicated above.

The Board also decided to undertake stakeholder outreach to gather feedback on whether any of the presentation and disclosure requirements introduced in AASB 18 would be relevant for entities preparing Tier 2 GPFS. AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* would only be amended following appropriate due process.

Climate-related Financial Disclosure

The Board commenced detailed discussion on the feedback received on [draft] ASRS 1 *General Requirements for Disclosure of Climate-related Financial Information* and [draft] ASRS 2 *Climate-related Financial Disclosures* exposed in Exposure Draft ED SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information* (October 2023).

The Board decided to:

- (a) prepare a non-mandatory ('voluntary') ASRS 1 that would cover sustainability-related financial disclosures, rather than limit ASRS 1 to climate-related risks and opportunities as a mandatory Standard – the voluntary Standard ASRS 1 would have the same scope as IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*;
- (b) prepare a mandatory ASRS 2 that would incorporate the necessary content presented in [draft] ASRS 1 to make ASRS 2 function as a standalone, climate-only Standard;
- (c) align ASRS 2 with the baseline of IFRS S2 *Climate-related Disclosures* without modification with respect to the following aspects of [draft] ASRS 2:
 - (i) the scope of [draft] ASRS 2 – to omit the clarification referring to climate change proposed in paragraph Aus3.1 in ED SR1;
 - (ii) cross-industry metrics – to retain the requirements set out in paragraphs 29(b)–29(f) of IFRS S2, as proposed in ED SR1;
 - (iii) measurement of greenhouse gas (GHG) emissions – to adopt the measurement hierarchy in IFRS S2, which permits an entity to use a different method to the GHG Protocol when required to do so by a jurisdictional authority or an exchange on which the entity is listed, instead of requiring an entity to prioritise relevant methodologies in NGER Scheme legislation, as proposed in ED SR1;



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- (iv) definition of greenhouse gases – to retain the IFRS S2 definition as the seven greenhouse gases listed in the Kyoto Protocol, as proposed in ED SR1;
- (v) CO₂ equivalent conversion for GHG emissions – to adopt the requirements in IFRS S2 (paragraphs B21 and B22) to use the global warming potential (GWP) values from the latest IPCC assessment available at the reporting date, instead of the IPCC 5th assessment as proposed in ED SR1. The Board noted that if an entity uses appropriate emission factors that have already converted the constituent gases into CO₂ equivalent values (e.g. the Australian National Greenhouse Accounts Factors), the entity would not be required to recalculate the emission factors using GWP values from the latest IPCC assessment available at the reporting date;
- (vi) Scope 2 GHG emissions – to omit the proposed requirement for an entity to disclose its market-based Scope 2 GHG emissions from the fourth year of applying ASRS 2. Under IFRS S2 (and ASRS 2), entities might provide information about their market-based Scope 2 GHG emissions if they consider it would be useful to the users of their climate-related financial disclosures, and for NGER reporters, if NGER Scheme legislation requires the reporting of market-based Scope 2 GHG emissions in the future; and
- (vii) Scope 3 GHG emission categories – to require an entity to disclose the sources of its Scope 3 GHG emissions using the 15 categories in the GHG Protocol, as set out in IFRS S2.

The Board will address further aspects of the [draft] ASRS at future meetings. The Board formed a subcommittee to assist in progressing the drafting of ASRS 2 as a standalone Standard.

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 (NFP) private sector entities. At this meeting, the Board decided to include the following approaches in the ED:

- (a) business combinations – measure the assets and liabilities of the combined entity at their pre-combination book values for all combinations. Material assets and liabilities that do not have a carrying amount recognised in accordance with Australian Accounting Standards would be measured initially at their combination-date fair value. Any difference between the consideration paid and the net assets recognised in the combination is recognised directly in equity;



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- (b) a new entity formed upon the combination may elect to present comparative information for the combined operations for the periods prior to the combination date in the primary financial statements or in the notes;
- (c) align the requirements for intangible assets with Tier 2 recognition and measurement requirements, but:
 - (i) prohibit the recognition of internally generated intangible assets;
 - (ii) the useful life of all indefinite-lived intangible assets to be treated as finite, not exceeding ten years;
 - (iii) review the useful life, residual value and amortisation method only if a trigger event or indicator similar to those the Board decided for Tier 3 impairments has occurred since the last annual reporting date;
- (d) not provide guidance on either configuration or customisation costs in a cloud computing arrangement or development costs of a website that facilitates donations to the NFP entity;
- (e) develop transitional requirements based on AASB 1 *First-time Adoption of Australian Accounting Standards* for entities applying the Tier 3 Standard for the first time. Alternatively, these entities would apply the Tier 3 Standard directly by applying a modified retrospective approach to resulting changes in accounting policies with the cumulative effects on prior periods recognised in the current period's opening retained earnings, without restating the comparative period(s). In particular:
 - (i) entities transitioning from special purpose financial statements (SPFS) to preparing general purpose financial statements (GPFS) for the first time, under Tier 3 requirements, would not be required to provide comparative information for new disclosures or distinguish corrections of errors and changes in accounting policies; and
 - (ii) entities transitioning from Tier 1 or Tier 2 GPFS to Tier 3 GPFS may elect to continue applying any Tier 1 or Tier 2 recognition, measurement and disclosure requirements to balances that existed on the transition date;
- (f) entities transitioning from Tier 3 GPFS to Tier 1 or Tier 2 GPFS for the first time would apply AASB 1, with entities preparing Tier 2 GPFS for the first time not required to:
 - (i) restate comparative information;
 - (ii) provide comparative information for new disclosures; or



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- (iii) distinguish corrections of errors and changes in accounting policies;
- (g) provide an implementation period prior to the effective date of at least three years when issuing the Tier 3 Standard, together with extending the application of the *Conceptual Framework for Financial Reporting* to not-for-profit entities;
- (h) permit early application of the Tier 3 Standard; and
- (i) include in the Basis for Conclusions the Board's rationale for not specifying any reporting thresholds for entities permitted to apply the Tier 3 Standard.

The Board decided to seek stakeholder feedback through the ED on whether further transitional relief should be provided to encourage NFP entities to transition from SPFS to GPFS early, and on the appropriateness of the proposed effective date. The Board also decided to consider whether to establish a Transition Resource Group after the Board considers feedback on the ED.

Conceptual Framework – Not-for-Profit Amendments

With respect to its project on extending the application of the *Conceptual Framework for Financial Reporting* to not-for-profit (NFP) entities, the Board decided:

- (a) not to amend paragraphs 6.55 and 6.56 of the *Conceptual Framework for Financial Reporting* regarding non-financial liabilities arising in conjunction with non-financial assets held primarily for their service potential for application by NFP entities;
- (b) to propose exempting from its application proposals those NFP entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the document was created or amended before the effective date of the amendments;
- (c) that no additional transitional provisions, beyond those in AASB 1, are necessary to assist NFP entities currently preparing special purpose financial statements (SPFS) to prepare Tier 1 general purpose financial statements (GPFS);
- (d) to propose early application relief for a NFP entity currently preparing SPFS that will prepare, for the first time, Tier 2 GPFS following implementation of the Board's proposals, with an optional exemption from:
 - (i) restating the comparative financial statements;
 - (ii) providing certain comparative note disclosures; and
 - (iii) distinguishing corrections of errors and changes in accounting policies.



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The Board considered a working draft of an exposure draft and decided to retain, substantially unamended, the current approach of identifying the entities to which the *Conceptual Framework for Financial Reporting* applies and including AusCF paragraphs in various Australian Accounting Standards.

Business Combinations – Disclosure, Goodwill and Impairment

The Board discussed IASB ED/2024/1 *Business Combinations – Disclosures, Goodwill and Impairment*. The Board decided not to support the proposed disclosures about strategic business combinations and synergies. In particular, the Board questions whether these disclosures would be required to meet the objective of financial statements or whether they would be better dealt with in the IASB's project to revise the Management Commentary Practice Statement.

The Board agreed with the proposed changes to the calculation of an asset's value in use and additional clarification on the allocation of goodwill to cash-generating units.

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

After considering the feedback received on Invitation to Comment ITC 50 *Post-implementation Review – Income of Not-for-Profit Entities* at previous meetings, the Board decided to consider project proposals in the future on:

- (a) the principles in Appendix F to AASB 15 *Revenue from Contracts with Customers* regarding identifying whether a performance obligation exists;
- (b) whether IPSAS 47 *Revenue*, including feedback from its implementation, could provide a basis for useful guidance in relation to AASB 15 and AASB 1058 *Income of Not-for-Profit Entities* and whether alternative revenue recognition models might be warranted;
- (c) whether IPSAS 41 *Financial Instruments* and IPSAS 47 could provide useful guidance to address the accounting treatment of financial assets, including the subsequent measurement of statutory receivables, for NFP entities;
- (d) AASB Staff FAQs on the topics of grants received in arrears and termination for convenience clauses.

These project proposals would be considered after the completion of, or significant progress on, other cross-cutting projects, including:

- (a) the Not-for-Profit Private Sector Financial Reporting Framework project;



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- (b) not-for-profit sector and public sector considerations in relation to AASB 18 *Presentation and Disclosure in Financial Statements*; and
- (c) the benchmarking of AASB Standards and IPSAS.

The Board also decided to seek feedback during the upcoming AASB Agenda Consultation to assess whether other concerns persist and whether further action is needed. The Feedback Statement on ITC 50 is expected to be published in Q3 2024, to conclude the post-implementation review.

Research Report

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

- (a) the progress of:
 - (i) the research project on the statement of cash flows and other related information; and
 - (ii) post-implementation reviews (PIRs), including ITC 51 on the not-for-profit topics of control, structured entities, related party disclosures and the basis of preparation of special purpose financial statements, AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and AASB 2022-2 *Amendments to Australian Accounting Standards – Extending Transition Relief under AASB 1*;
- (b) the March 2024 Dialogue Series session, which discussed the boundary and connectivity of reporting, and the May 2024 session, which discussed issues related to financial reporting for climate-related commitments. The next session is scheduled for June 2024, focusing on valuation issues in financial reporting;
- (c) the release of AASB SSRN Working Papers:
 - (i) Working Paper No. 24-02: *The Cost of Auditing Service Performance Information* (Professor Tom Scott and Dr Xikai Chen); and
 - (ii) Working Paper No. 24-03: *Using Turnover Size to Determine Charities' Reporting Requirements: Should Turnover Size Metrics Drive Reporting Regimes?* (Han Wen, Professor David Gilchrist, Dr Prerana Agrawal and Dr Lyndie Bayne); and
- (d) hosting jointly with the Canadian Accounting Standards Board a panel session *What are National Accounting Standard-setters Up to?* at the AAA Annual Meeting in August 2024.



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Recently Approved Documents

Since last reported (Action Alert, 16 May 2024), the Board has approved the following Standards, Exposure Drafts or other proposal documents:

Date Approved	Document	Effective Date (Standards/Int'ns) or Due Date for Submissions (EDs)
24 May 2024	ED 330 <i>Contracts for Renewable Electricity</i>	21 June 2024
7 June 2024	AASB 18 <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027 or 1 January 2028

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
IPSASB	ED 89 Amendments to Consider IFRIC Interpretations	–	–	17 June 2024
AASB	ED 330 Contracts for Renewable Electricity	ED 330	21 June 2024	7 August 2024
AASB	ED 329 Business Combinations – Disclosures, Goodwill and Impairment	ED 329	closed	15 July 2024

AASB Board Future Meeting Dates

26 June 2024
5–6 September 2024
7–8 November 2024

26 June 2024 AASB meeting

The Board is expected to address the following agenda items:

Climate-related Financial Disclosure
Service Performance Reporting