

The logo consists of the letters 'AASB' in a bold, black, sans-serif font, centered within a white hexagonal shape. This hexagon is superimposed on a larger, semi-transparent hexagonal graphic that contains a collage of financial data visualizations, including bar charts, line graphs, and binary code (0s and 1s) in shades of blue and purple.

AASB

The Australian Standard Setters' Responses to Current Challenges Facing Financial Reporting

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AASB Research Director



Australian Government

Australian Accounting Standards Board

Agenda

- AASB work program
- Research areas of focus
- Wrap-up & Q&A

AASB Work Program



AASB Agenda Consultation

ITC expected to be released
September 2021

Purpose: to seek views from Australian constituents on projects the AASB should be addressing that are primarily **domestic** in nature.

The AASB addresses external reporting issues in relation to:

- public sector entities;
- not-for-profit (NFP) entities; and
- Australian specific issues relating to for-profit entities.

AASB proposed topics (tentative)



Sustainability
reporting



Digital
reporting



Service
performance
reporting



AASB Major Domestic Projects

Project	Objectives	Milestones and timing
Not-for-profit private sector financial reporting framework	<ul style="list-style-type: none"> • Development of a simple, proportionate, consistent and transparent financial reporting framework for NFP private sector entities in Australia. • Outcomes include possible simplification to requirements for smaller NFP (i.e. Tier 3). 	Discussion paper – Q4 2021
Fair Value Measurement for Not-for-Profit Entities	<ul style="list-style-type: none"> • Provide guidance to assist not-for-profit public sector entities in applying AASB 13 <i>Fair Value Measurement</i>. • Provide guidance to assist NFP lessees (in both private and public sector) in measuring the fair value of right-of-use assets arising from concessionary leases. 	Submission to the IPSASB on the ED 76 and ED 77 incl. targeted consultation – Q2/Q3 2021
Going Concern	<ul style="list-style-type: none"> • To influence the IASB to undertake a fundamental review of the requirements related to going concern disclosures and the basis of accounting where the going concern assumption is no longer appropriate. 	Submission to the IASB Agenda Consultation – Q3 2021
Audit engagement related disclosures	<ul style="list-style-type: none"> • consider the evidence gathered and the issues identified in RR15 and address adequacy of current audit engagement-related disclosures in AASB 1054 in response to PJC recommendation 3(i) and 6 	Next discussion → Sep 2021

Major International Projects

Project	Objectives	Milestones and timing
Sustainability Reporting	<p>IFRS Foundation Trustees' Consultation Paper on Sustainability Reporting addressing:</p> <ul style="list-style-type: none"> • whether there is a need for global sustainability standards; • whether the IFRS Foundation should play a role; and • what the scope of that role could be. 	The Trustees proposed changes to the Foundation's Constitution to formalise a new board
Goodwill and Impairment	The objective of this project is to present to the IASB methods used by analysts and investors to assess impairment on a more-timely basis and the information in the financial statements considered beneficial to users.	IASB deliberating feedback on the DP
Primary Financial Statements	<p>The objective of this project is to:</p> <ul style="list-style-type: none"> • Introducing defined subtotals in the statement of financial performance • Providing better information on management performance measures (i.e. non-GAAP information) • Improving disaggregation in primary financial statements 	IASB deliberating feedback on the ED
Management commentary	The IASB is revising IFRS Practice Statement <i>1 Management Commentary</i> (Practice Statement) to consider how broader financial reporting could complement financial statements prepared applying IFRS Standards.	Exposure Draft issued May 2021

Major International Projects

Project	Objectives/Comments	Milestones and timing
Business combinations under common control	The objective is to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects.	Submission to IASB – Q3 2021
PIR of IFRS 10, 11 and 12	A Post-implementation Review is structured in two phases. Currently, the Board's Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12 is in the first phase, which involves an initial identification and assessment of the matters to be examined.	Feedback submitted to IASB in May 2021
Agenda consultation	The objective of agenda consultation is to seek public comments on: <ul style="list-style-type: none"> • the strategic direction and balance of the Board’s activities; • the criteria for assessing the priority of financial reporting issues that may be added to the Board’s work plan; and • financial reporting issues that should be given priority in the Board’s work plan. 	Submission to IASB – Q3 2021

NFP Financial Reporting Framework

DP expected to be released Q4 2021

Current landscape and key issues

Needs of the users compared to costs to preparers

Significantly lower level of R&M compliance in charities' SPFSs

Diverse population of entities preparing financial statements

Self-assessment of reporting entity and GPFS vs SPFS & significant judgement

Varied financial reporting requirements based on state of incorporation

Resulting lack of comparability, consistency and transparency between financial reports

IASB revised Conceptual Framework 'reporting' entity clash with AASB 1057 and SAC 1 definition of reporting entity

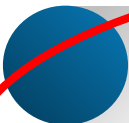

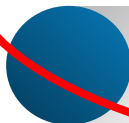



Research suggests to report on impact, transparency and accountability often in the form of financial and non-financial information


Complexity surrounding non-financial reporting, balancing needs of the users with costs to preparers and ability to assure



NFP Financial Reporting Framework

Initial Design Considerations

Reporting Tiers How and where the tiers are defined?	Reporting Requirements Proportionate to size of the entity	Opting up permitted?	Service Performance Reporting in scope?	Possible reference points for additional Tier(s)?
 Tier 1	 Full IFRS recognition & measurement (R&M) and disclosures	Tier 1 applied on voluntary or mandatory basis for some entities?	<ul style="list-style-type: none"> • Diverse views from stakeholders • Information value to users vs costs to preparers • Scope across public and private NFP sector 	<ul style="list-style-type: none"> • NZ Tier 3&4 PBE standards • IFRS for SMEs • UK FRS 102/105/Charities SORP
 Tier 2	 Full IFRS R&M and Tier 2 Simplified disclosures			
 Tier 3 / [Tier 4]	 <ul style="list-style-type: none"> • Simplified or Modified accrual Accounting • Cash accounting 	Additional tier(s) with simplified R&M req'ments?	<ul style="list-style-type: none"> • Possible need for differential SPR requirements 	<ul style="list-style-type: none"> • #IFR4NPO • Other jurisdictions • Specific underlying principles using above as reference points

 Tiers currently available under Australian Accounting Standards for reporting entities preparing general purpose financial statements. Entities self-assessed as non-reporting entities can elect to prepare special purpose financial statements (**AASB 2020-2 only for certain FP entities**).





NFP Financial Reporting Framework

Board's tentative decisions to date:

- The existing two tiers (Tier 1 and Tier 2) continue to be available;
- Develop a further reporting tier ('Tier 3');
- Not to specify application thresholds for the tiers;
- Not to include any service performance reporting proposals in this consultation document and address in a separate project;
- To consult on proposal to remove ability to prepare SPFS for NFP entities from AAS;
- 'User needs' and 'cost/benefit' as overarching principles, consider transactions commonly undertaken by NFP entities with revenues between \$500k and \$3m (indicative boundary for identifying common transactions)



NFP Financial Reporting Framework

Board's tentative decisions for Tier 3 reporting requirements

- To develop Tier 3 reporting requirements as a single stand-alone pronouncement that will:
 - a) be drafted in simple language using terminology tailored to NFP private sector entities of the size contemplated by the Board for Tier 3 entities (revenue between \$500,000 and \$3 million);
 - b) have minimal cross-referencing to requirements of other Australian Accounting Standards;
 - c) include a simple Basis for Conclusions; and
 - d) include application guidance, implementation guidance and template financial statements.

Recent Education Webinars

AASB staff hosted three webinars on the removal of special purpose financial statements and the introduction of simplified disclosures. The webinars covered:

Part 1- Scope

This webinar covered:

- which for-profit private sector entities are affected;
- what they need to know about preparing their first set of simplified disclosures financial statements; and
- for those entities that are not in-scope and can continue to prepare SPFS, what this means for them.

The slide pack can be found [here](#) and watch the recording [here](#).

Part 2 – Transitional Relief

This webinar explained the transition relief and options available for entities that will be required to transition to AASB 1060 *General Purpose Financial Statements — Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

The slide pack can be found [here](#) and watch the recording [here](#).

Part 3- Audit Implications

This webinar outlined the audit implications for:

- entities transitioning from special purpose financial statements; and
- entities transitioning from Tier 2 – Reduced Disclosure Requirements

The slide pack can be found [here](#) and watch the recording [here](#).





Post-implementation Reviews

In progress

- AASB 1049 *Whole of Government and General Government Sector*

2022

- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 10 Appendix E *Consolidated Financial Statements Australian implementation guidance for not-for-profit entities*
- AASB 12 Appendix E *Disclosure of Interests in Other Entities Australian implementation guidance for not-for-profit entities*



Current research topics

Project	Objectives	Milestones and timing
<p>Not-for-profit users and user needs</p>	<ul style="list-style-type: none"> The objective is to identify users and user needs of NFP (private and public sectors) financial reports; and determine whether there is information gap between user needs and the current financial reports. The research is expected to involve interviews and surveys to gather data for analyses from a wide range of users and preparers for NFP financial reports. The findings will contribute to the considerations of <i>NFP Private Sector Financial Reporting Framework</i> project and other related NFP projects. 	<p>H2 2021 begin research</p>
<p>Leases (with MASB)</p>	<p>Research into the choices made by lessees when transitioning from IAS 17 Leases to IFRS 16 Leases and for the ongoing application of IFRS 16. The purpose of the research project is to identify any relevant lessons that might inform the application of other new and revised IFRS Standards, including the types of choices that should be made available to entities adopting a Standard.</p>	<p>Ongoing</p>

Recent Research Reports & Publications



AASB Research Forum



AASB Research Forum 2021



Does the presence of significant judgement complexity about OCI items impact the decisions of non-professional and professional investors? The case of 'Other Comprehensive Income'

Dr Troy Yao (QUT)
Associate Professor Tyge Kummer (QUT)
Associate Professor Majella Percy (Griffith)
Emeritus Professor Jenny Stewart (Griffith)



An evaluation of the impacts of the adoption of AASB 15 Revenue from Contracts with Customers

Le Ma, University of Technology Sydney
Sebastian Onie, University of Technology Sydney
Helen Spiropoulos, University of Technology Sydney
Peter Wells, University of Technology Sydney



Decision Usefulness: A re-examination of the information needs of non-profit GPFR users

Dr Craig Furneaux, Queensland University of Technology
Professor David Gilchrist, University of Western Australia



Monday, 29th November 2021



To be confirmed



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AASB Research Forum 2022

Expressions of Interest open until 30 August 2021

- ✓ Present research to [AASB Members & staff](#)
- ✓ Present research to [IASB Members](#)
- ✓ [Influence future](#) of financial reporting
- ✓ Provide [thought leadership](#) on new issues
- ✓ Access to AASB [resources and stakeholders](#)
- ✓ [Past](#) RF papers have been [published](#)
- ✓ [Exposure](#) to stakeholders beyond academia



For more info, find
EOI on:

- www.aasb.gov.au
- [AFAANZ website & newsletter](#)



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AASB Resources



- Staff papers and research reports
- Hot Topics – guidance and reference material on the latest developments in standard setting
- YouTube channel – view AASB webinars & other recordings



Getting Involved

Pronouncements

- ✓ identify Standards or Interpretations applicable to a reporting period

News & Alerts

- ✓ news alerts & media releases
- ✓ weekly newsletter

Outreach Events

- ✓ forums, roundtables, webcasts
- ✓ international guests & key experts

Work Program & Project Summaries

- ✓ the latest developments on AASB projects

Work in Progress

- ✓ see Exposure Drafts & AASB submissions



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Thank You.



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