New Australian accounting pronouncements

For 30 June 2020 year-end reports

New and changed requirements

We provide you an overview of the accounting pronouncements issued as of 30 April 2020 that:

- **Must** be applied for the first time for 30 June 2020 year-ends
- **May** be applied early for 30 June 2020 year-ends

Implementing new accounting standards often impacts entities beyond their financial reporting function. We hope that this publication will:

- Support you in having better conversations about accounting changes with your stakeholders
- Help you respond in a timely manner to all accounting changes in your next financial report
- Keep you focused on future changes in financial reporting and their impact on implementation efforts

Accounting change disclosures

Financial reports are required to:

- Present the impact of initial application of new accounting standards applied
- Disclose the possible impact of initial application of forthcoming accounting standards not yet applied, or otherwise indicate the reason for not doing so

However, Tier 2 entities applying the *Reduced Disclosure Requirements* are not required to disclose the possible impact of accounting pronouncements issued but not yet effective.

Remain alert to further changes

This publication is updated as of 30 April 2020. Any pronouncements issued afterwards (up until the date of authorisation of your financial report) must also be considered. Our *In Balance* publications will keep you informed of further changes.

Contents

Financial instruments

Australian Accounting Standards Board (AASB) 2017-6 *Amendments to Australian Accounting Standards (AASs) – Prepayment Features with Negative Compensation*

Effective for annual reporting periods beginning on or after 1 January 2019

AASB 9 *Financial Instruments* prescribes recognition and measurement rules for financial assets and financial liabilities. A financial asset held to collect "simple" cash flows that represent solely principal and interest (known as the SPPI test) can either be measured at amortised cost or fair value through other comprehensive income. A financial asset with prepayment features can still pass the SPPI test if the prepayment amount substantially represents unpaid principal and interest, which may include reasonable compensation for early termination.

The amendments to AASB 9 clarify that the prepayment amount can be more or less than the unpaid principal and interest.

These amendments apply retrospectively. However, restatement of prior periods is not required but permitted only if such restatement is possible without the use of hindsight.

Resource

IFRS Developments Issue 130: IASB issues an Amendment to IFRS 9 (October 2017)

AASB 2019-3 *Amendments to AASs – Interest Rate Benchmark Reform*

Effective for annual reporting periods beginning on or after 1 January 2020

These amendments to AASB 7 *Financial Instruments: Disclosures*, AASB 9 and AASB 139 *Financial Instruments: Recognition and Measurement* were issued in response to the effects of Interbank Offered Rates reform on financial reporting. They provide mandatory temporary relief enabling hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative "nearly risk-free" benchmark.

These amendments apply retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted.

Resource

IFRS Developments Issue 152: IBOR reform: publication of the phase one amendments and commencement of phase two (September 2019)

Group accounts

AASB 2018-1 *Amendments to AASs – Previously Held Interest in a Joint Operation (Part of Annual Improvements 2015-2017 Cycle)*

Effective for annual reporting periods beginning on or after 1 January 2019

The amendments to AASB 3 *Business Combinations* clarify that, when an entity obtains control of a business that was a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interest in the assets and liabilities of the joint operation at fair value. A transaction gaining control is a significant change in the nature of the interest in the joint operation, hence remeasuring the previously held interest at fair value becomes necessary.

An entity that participates in, but does not have joint control of, a joint operation might subsequently obtain joint control. The activity of the joint operation might constitute a business as defined in AASB 3. Although such a transaction changes the nature of an entity's interest in the joint operation, it does not result in a change to the group boundaries as defined by what businesses are controlled. Accordingly, the amendments to AASB 11 *Joint Arrangements* clarify that the previously held interest in that joint operation are **not** remeasured.

These amendments apply prospectively.

AASB 2017-7 *Amendments to AASs – Long-term Interests in Associates and Joint Ventures*

Effective for annual reporting periods beginning on or after 1 January 2019

Under AASB 128 *Investments in Associates and Joint Ventures*, an investor considers any long-term interests in an associate or joint venture as an extension of its investment. For example, a loan for which settlement is neither planned nor likely to occur in the future is, in substance, part of the investor's net investment in the associate or joint venture. Other examples include preference shares and long-term receivables. Using the equity method, losses recognised in excess of the investor's investment in ordinary shares of an associate or joint venture are applied to these long-term interests in the reverse order of their priority in liquidation.

The amendments clarify that an entity first applies AASB 9 to long-term interests in an associate or joint venture that, in substance, form part of the net investment in that entity. For example, the expected credit loss model in AASB 9 would first apply to such interests.

When applying AASB 9, an entity ignores any losses of the associate or joint venture, or any impairment losses recognised on the net investment in the associate or joint venture that arise from applying AASB 128. All such losses are recognised after AASB 9 has been applied.

These amendments apply retrospectively. However, restatement of prior periods is not required but permitted only if such restatement is possible without the use of hindsight.

Group accounts

AASB 2018-6 *Amendments to AASs – Definition of a Business*

Effective for annual reporting periods beginning on or after 1 January 2020

The definition of a business helps entities to distinguish business combinations from asset acquisitions. Business combinations are accounted for using the acquisition method, which, among other things, may give rise to goodwill. Accounting treatments for other types of transactions may also be affected, depending on whether the transaction involves a business (e.g., A loss of control transaction where a retained interest is accounted for using the equity method).

With the aim of helping companies determine whether an acquired set of activities and assets is a business, the amendments to AASB 3:

- Clarify the minimum requirements for a business to exist
- Remove the assessment of whether market participants are capable of replacing missing elements
- Provide guidance to help entities assess whether an acquired process is substantive
- Narrow the definitions of a business and of outputs
- Introduce an optional fair value concentration test to identify a business

These amendments are applied prospectively. Earlier application is permitted.

Resource

IFRS Developments Issue 137: IASB issues amendments to the definition of a business in IFRS 3 (October 2018)

AASB 2014-10 *Amendments to AASs – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Effective for annual reporting periods beginning on or after 1 January 2022*

The amendments to AASB 10 *Consolidated Financial Statements* and AASB 128 clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

These amendments are applied prospectively. Earlier application is permitted.

* AASB 2017-5 *Amendments to AASs – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* deferred the effective date of AASB 2014-10 to annual reporting periods beginning on or after 1 January 2022 instead of 1 January 2018.

Income taxes

AASB 2018-1 *Amendments to AASs – Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Part of Annual Improvements 2015–2017 Cycle)*

Effective for annual reporting periods beginning on or after 1 January 2019

The amendments to AASB 112 *Income Taxes* clarify that any income tax effects of dividends are linked more directly to past transactions or events that generated distributable profits, than to the distribution to owners. Therefore, an entity recognises the income tax effects of tax deductible dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the past transactions or events giving rise to the capacity to pay the dividends.

When an entity first applies these amendments, it applies them to the income tax effects of dividends recognised on or after the beginning of the earliest comparative period.

AASB Interpretation 23 *Uncertainty over Income Tax Treatments*

Effective for annual reporting periods beginning on or after 1 January 2019

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112. It does not apply to taxes or levies outside the scope of AASB 112, nor does it include specific requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation addresses the following:

- Whether an entity considers uncertain tax treatments separately or collectively
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

This interpretation is applied retrospectively, however restatement of prior periods is not required but permitted only if such restatement is possible without the use of hindsight.

Resources

Grappling with Australian Interpretation 23 Uncertainty over Income Tax Treatments (January 2020)

Applying IFRS: Uncertainty over income tax treatments (November 2017)

IFRS Developments Issue 153: Presentation of liabilities or assets related to uncertain tax treatments (October 2019)

Insurance contracts

AASB 17 *Insurance Contracts*

Effective for annual reporting periods beginning on or after 1 January 2021†

AASB 17 replaces AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* for for-profit entities. AASB 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features.

In contrast to the requirements in AASB 4, which are largely based on grandfathering previous local accounting policies, AASB 17 provides a comprehensive accounting model for insurance contracts. The core of AASB 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of insurance liabilities at the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- The concept of a Contractual Service Margin (CSM), representing the unearned profit on the insurance contracts to be recognised in profit or loss over the coverage period
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining coverage period
- The effect of changes in discount rates are reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (nondistinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet

Entities are allowed to adopt AASB 17 using either a full retrospective approach, modified retrospective approach or fair value approach.

Earlier application is permitted, provided that the entity also applies AASB 9 and AASB 15 *Revenue from Contracts with Customers* on or before the date it first applies AASB 17.

AASB 17 does not apply to superannuation entities applying AASB 1056 *Superannuation Entities* and not-for-profit public sector entities. The AASB is assessing the applicability of AASB 17 to not-for-profit public sector entities; in November 2017, the AASB issued Discussion Paper *Australian-specific Insurance Issues – Regulatory Disclosures and Public Sector Entities*.

Resources

Insurance Accounting Alert (March 2020)

Applying IFRS 17: A closer look at the new Insurance Contracts Standard (May 2018)

† At its meeting on 17 March 2020, the International Accounting Standards Board (IASB) agreed to defer the effective date of IFRS 17 *Insurance Contracts* to annual reporting periods beginning on or after 1 January 2023. The IASB plans to issue the necessary amendments to IFRS 17 in the second quarter of 2020, with the AASB expected to amend AASB 17 soon after.

Leases

AASB 16 *Leases*

Effective for annual reporting periods beginning on or after 1 January 2019

Under AASB 117 *Leases*, a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an asset. Otherwise, the lease is classified as an operating lease.

A finance lease is recognised on balance sheet as an asset with a corresponding liability. The leased asset is then depreciated similar to property, plant and equipment, while lease payments are split between interest expense and principal repayments.

In an operating lease, the leased asset remains off balance sheet, and lease payments recognised as an operation expense.

The new leases standard, AASB 16, introduced an accounting model significantly different from AASB 117. AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117, with some exceptions. Lease payments for leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a term of 12 months or less and no purchase option) may be recognised as expenses, on a straight-line basis over the lease term, or another systematic basis if more appropriate.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term.

Lessees will separately recognise interest expense on the lease liability and depreciation expense on the right-of-use asset.

Lessees remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, or a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally treat the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principles as in AASB 117.

A full retrospective or a modified retrospective transition approach is allowed, with certain relief provided.

Resources

Applying IFRS: A closer look at IFRS 16 Leases (December 2019)

Applying IFRS: Presentation and disclosure requirements of IFRS 16 Leases (December 2019)

Applying IFRS: Impairment considerations for the new leasing standard (November 2018)

Other topics

AASB 2018-7 *Amendments to AASs – Definition of Material*

Effective for annual reporting periods beginning on or after 1 January 2020

The amendments align the definition of 'material' across AASB 101 *Presentation of Financial Statements* and AAS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments are applied prospectively. Earlier application is permitted.

Resource

IFRS Developments Issue 138: IASB issues amendments to the definition of material (November 2018)

AASB 2019-5 *Amendments to AASs – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*

Effective for annual reporting periods beginning on or after 1 January 2020

It is possible that an entity complying with Australian Accounting Standards cannot assert compliance with IFRS Standards if its reporting date falls between the issuance date of a new IFRS Standard and a later release date of an equivalent Australian Accounting Standard. To enable IFRS compliance assertion despite such delays, this standard amends AASB 1054 *Australian Additional Disclosures* to require disclosure of the possible impact of initial application of forthcoming IFRS Standards not yet adopted by the AASB, as specified in paragraphs 30 and 31 of AASB 108. Entities complying with Australian Accounting Standards can assert compliance with IFRS Standards by making this additional disclosure.

The amendments are applied prospectively. Earlier application is permitted.

Other topics

AASB 2018-2 *Amendments to AASs – Plan Amendment, Curtailment or Settlement*

Effective for annual reporting periods beginning on or after 1 January 2019

This standard amends AASB 119 *Employee Benefits* to specify how an entity accounts for defined benefit plans when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments:

- Require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event occurs

  This amendment is necessary because the IASB noted that the previous IAS 19 *Employee Benefits* implied that the calculation of current service cost and net interest during the period should be based on the assumptions as at the start of the annual reporting period even in the event of a plan amendment, curtailment or settlement.

- Clarify that when such an event occurs, an entity recognises the past service cost or a gain or loss on settlement separately from its assessment of the asset ceiling.

  When an entity has a surplus in a defined benefit plan (because the fair value of plan assets exceeds the present value of the defined benefit obligation), it measures the net defined benefit asset at the lower of the surplus and the asset ceiling[‡]. The accounting for a plan amendment, curtailment or settlement may reduce or eliminate a surplus, which may cause the effect of the asset ceiling to change.

  The amendments to AASB 119 clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in net interest, is recognised in other comprehensive income.

  This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus not previously recognised. Changes in the effect of the asset ceiling are not netted with such amounts.

These amendments are applied prospectively.

Resource

IFRS Developments Issue 134: IASB issues amendments to IAS 19 Employee Benefits (February 2018)

[‡] The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Other topics

Conceptual Framework for Financial Reporting

AASB 2019-1 *Amendments to AASs – References to the Conceptual Framework*

Effective for annual reporting periods beginning on or after 1 January 2020

The *Conceptual Framework for Financial Reporting* (*Conceptual Framework*) describes the objective of, and the concepts for, general purpose financial reporting. The purpose of the *Conceptual Framework* is to:

- Assist in the development of accounting standards
- Help preparers develop consistent accounting policies where there is no applicable standard in place; and
- Assist all stakeholders to understand the standards better.

The *Conceptual Framework* is not a standard, and none of the concepts override those in any standard or any requirements in a standard.

The application of the *Conceptual Framework* is at present limited to:

- For-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards; and
- Other for-profit entities that voluntarily elect to apply the *Conceptual Framework*, which would permit compliance with Australian Accounting Standards (Tier 1) and IFRS Standards.

The revised *Conceptual Framework* includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definitions of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Exemptions have been provided in applying AASB 3 and developing accounting policies for regulatory account balances using the previous *Framework for the Preparation and Presentation of Financial Statements* (July 2004) (*Framework*), such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the previous *Framework*, and not the definitions in the revised *Conceptual Framework*.

In some cases, applying the revised definitions would change which assets and liabilities qualify for recognition in a business combination. As a consequence, post-acquisition accounting required by other standards could lead to immediate derecognition of such assets or liabilities, causing 'day 2 gains or losses' to arise, which do not depict economic gains or losses. Therefore, the IASB plans to assess how IFRS 3 *Business Combinations* can be updated for the revised definitions, without these unintended consequences.

Requiring entities to continue applying the previous *Framework* when developing or revising accounting policies for regulatory account balances prevents unhelpful and unnecessary disruption for both preparers and users. This avoids revising accounting policies for regulatory account balances twice within a short time frame – once for the revised *Conceptual Framework* and again when a revised standard on rate-regulated activities is issued.

Earlier application of the revised *Conceptual Framework* is permitted.

Resource

Applying IFRS: IASB issues revised Conceptual Framework for Financial Reporting (April 2018)

Other topics

AASB 2020-1 *Amendments to AASs – Classification of Liabilities as Current or Non-current*

Effective for annual reporting periods beginning on or after 1 January 2022

A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 to clarify the requirements for classifying liabilities as current or non-current. Specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management intention or expectation does not affect classification of liabilities.
- In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current.

These amendments are applied retrospectively. Earlier application is permitted.

Resource

IFRS Developments Issue 159: Amendments to classification of liabilities as current or non-current (January 2020)

AASB 2018-1 *Amendments to AASs – Borrowing Costs Eligible for Capitalisation (Part of Annual Improvements 2015-2017 Cycle)*

Effective for annual reporting periods beginning on or after 1 January 2019

The amendments to AASB 123 *Borrowing Costs* clarify that an entity treats as part of general borrowings any borrowing originally made to develop a specific qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. Accordingly, the on-going borrowing costs arising from previously specific borrowings join the pool of general borrowing costs eligible for capitalisation.

These amendments are applied prospectively.

Other topics

AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*

AASB 2020-2 *Amendments to AASs – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*

Effective for annual reporting periods beginning on or after 1 July 2021

Certain for-profit entities will be required to prepare general purpose financial statements, rather than special purpose financial statements, to enhance consistency, comparability and transparency of financial reporting.

To reduce the cost of preparing general purpose financial statements while maintaining their usefulness, affected entities will be required to follow the recognition and measurement requirements under Australian Accounting Standards, but may apply the simplified disclosure requirements in AASB 1060. AASB 1060 is the new simplified disclosure standard developed by the AASB based on IFRS for Small and Medium-sized Entities.

AASB 2020-2 makes consequential amendments to existing Australian Accounting Standards to emphasise the new requirement for preparation of general purpose financial statements.

Certain relief is available for early adopters.

Resource

The time has come – Changes to Australian financial reporting (April 2020)

Leases

AASB 2018-8 *Amendments to AASs – Right-of-Use Assets of Not-for-Profit Entities*

Effective for annual reporting periods beginning on or after 1 January 2019

For concessionary leases, AASB 1058 *Income of Not-for-Profit Entities* and AASB 16 require not-for-profit entities to measure right-of-use assets on initial recognition at fair value, i.e., those leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives.

Some stakeholders expressed difficulties in applying AASB 13 *Fair Value Measurement* in determining the fair value of right-of-use assets arising from concessionary leases due to the existence of significant restrictions and the specialised nature of the underlying assets.

While acknowledging that further guidance is needed in determining the fair value of such assets and to avoid undue cost and effort in complying with AASB 13 requirements, the AASB decided to allow not-for-profit entities to measure right-of-use assets arising from concessionary leases either at cost or at fair value. Additional disclosures in the financial statements should be made to help users understand the effects of these leases on an entity's financial position, financial performance and cash flows.

The transition provision of these amendments follows that of AASB 16.

Resource

Not-for-profit financial reporting and tax update (January 2020)

AASB 2019-8 *Amendments to AASs – Class of Right-of-Use Assets arising under Concessionary Leases*

Effective for annual reporting periods beginning on or after 1 January 2019

Subsequent to the issuance of AASB 2018-8, the AASB received feedback that public sector entities preparing Whole of Government and General Government Sector financial statements would need to revalue their right-of-use assets arising from concessionary leases (and other leases) at fair value to comply with the requirements in AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. As the AASB's intention was to provide relief to all not-for-profit entities, AASB 1049 was amended to allow the Whole of Government and General Government Sector to measure right-of-use assets arising under concessionary leases either at cost or at fair value after initial recognition.

Stakeholders also requested clarification about whether right-of-use assets arising from concessionary leases can be treated as a separate class of assets so that entities have the option to measure such assets on a different basis. The AASB amended AASB 16 to clarify that right-of-use assets arising from concessionary leases can be treated as a separate class of right-of-use assets for purposes of availing the measurement option. This approach shall not be applied by analogy to distinguish sub-classes of other assets as separate classes of assets.

The transition provision of these amendments follows that of AASB 16.

Revenue

AASB 1058 *Income of Not-for-Profit Entities*

AASB 15 Revenue from Contracts with Customers

Effective for annual reporting periods beginning on or after 1 January 2019[§] except for research grants[**]

Legacy standards require a not-for-profit entity to immediately recognise income from a non-reciprocal transfer of assets, such as receipt of certain grants. Preparers found it challenging to determine whether a transaction is non-reciprocal and felt that immediate income recognition in a non-reciprocal transaction did not faithfully represent the underlying financial performance of the entity. With the adoption of AASB 15 in December 2014, the AASB considered that its five-step revenue recognition model[††] could address the issues.

The Board finalised the new accounting requirements for income of not-for-profit entities in December 2016 through the issuance of AASB 1058 and AASB 2016-8 *Amendments to AASs – Australian Implementation Guidance for Not-for-Profit Entities*.

AASB 1058 requires not-for-profit entities to apply the requirements of Australian Accounting Standards applicable to a transaction before recognising income.

Alternative treatments could include recognition of:

- Contributions by owners, in accordance with AASB 1004 *Contributions*;
- A lease liability in accordance with AASB 16;
- A financial instrument in accordance with AASB 9;
- A provision, in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*; or
- Revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15.

A full retrospective or modified retrospective transition approach is permitted, with certain relief.

Resources

Not-for-profit financial reporting and tax update (January 2020)

Accounting update: New income recognition requirements for Not-for-Profits (December 2016)

Applying IFRS: A closer look at IFRS 15, the revenue recognition standard (Updated September 2019)

Applying IFRS: Presentation and disclosure requirements of IFRS 15 (Updated November 2019)

[§] AASB 2016-7 *Amendments to AASs – Deferral of AASB 15 for Not-for-Profit Entities* deferred the effective date of AASB 15 for not-for-profit entities so that it is required to be applied by such entities for annual reporting periods beginning on or after 1 January 2019 instead of 1 January 2018.

[**] AASB 2019-6 *Amendments to AASs – Research Grants and Not-for-Profit Entities*, permits not-for-profit entities to apply AASB 15 and AASB 1058 to research grants for annual reporting periods beginning on or after 1July 2019 instead of 1 January 2019, giving them more time to address the implementation challenges.

[††] The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue

AASB 2016-8 *Amendments to AASs – Australian Implementation Guidance for Not-for-Profit Entities*

Effective for annual reporting periods beginning on or after 1 January 2019

This standard creates additional requirements and implementation guidance for AASB 9 and AASB 15 to improve accounting for the income of not-for-profit entities. Two key enhancements include the following requirements:

- In the absence of a specific Australian accounting standard applicable to non-contractual receivables arising from statutory requirements (e.g., taxes and fines), not-for-profit entities are required to apply the initial recognition and measurement requirements of AASB 9 to such receivables.
- Any contract that is not enforceable or does not contain a sufficiently specific promise to transfer a good or service falls within the scope of AASB 1058. Similarly, grants received by not-for-profit entities for the acquisition or construction of assets are covered by AASB 1058.

The transition provision of these amendments follows that of AASB 9 and AASB 15.

Resource

Accounting update: New income recognition requirements for Not-for-Profits (December 2016)

AASB 2018-4 *Amendments to AASs – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors*

Effective for annual reporting periods beginning on or after 1 January 2019

This standard amends AASB 15 to extend its application to licenses issued by not-for-profit public sector entities, supported by additional implementation guidance.

This standard also amends AASB 16 to clarify that licences that are in substance leases or contain leases, except intellectual property, fall within the scope of AASB 16.

The transition provision of these amendments follows that of AASB 15 and AASB 16.

Resource

Not-for-profit financial reporting and tax update (January 2020)

Service concession arrangements

AASB 1059 *Service Concession Arrangements: Grantors*

Effective for annual reporting periods beginning on or after 1 January 2020[‡‡]

This standard addresses the accounting for a service concession arrangement by a grantor that is a public sector entity. The standard is based on the International Public Sector Accounting Standard (IPSAS) 32 *Service Concession Arrangements: Grantor* and is broadly consistent with AASB Interpretation 12 *Service Concession Arrangements*, which sets out the accounting by the operator of such arrangements.

The standard requires a grantor to:

- Recognise a service concession asset constructed, developed or acquired by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset;
- Reclassify an existing asset as a service concession asset when it meets the recognition criteria; this also applies to previously unrecognised identifiable intangible assets and land under roads;
- Initially measure a service concession asset at current replacement cost in accordance with the cost approach to fair value in AASB 13;
- Subsequent to its initial recognition or reclassification, the service concession asset is accounted for in accordance with AASB 116 *Property, Plant and Equipment* or AASB 138 *Intangible Assets*, as appropriate, except as specified in this standard; and
- Recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration exchanged between the grantor and the operator, using either (or both) the financial liability model or the grant of a right to the operator model.

A full retrospective or a modified retrospective transition approach is allowed. Earlier application is permitted.

Resources

Not-for-profit financial reporting and tax update (January 2020)

Accounting update: Accounting for service concession arrangements by public sector grantors (July 2017)

AASB 2019-2 *Amendments to AASs – Implementation of AASB 1059*

Effective for annual reporting periods beginning on or after 1 January 2020

This standard amends AASB 16 and AASB 1059 mainly to:

- Provide a practical expedient to grantors of service concession arrangements so that AASB 16 need not be applied to service concession assets recognised under AASB 1059; and
- Clarify measurement requirements for the liability of grantors that use the modified retrospective approach upon initial adoption of AASB 1059.

Earlier application is permitted.

[‡‡] AASB 2018-5 *Amendments to AASs – Deferral of AASB 1059* deferred the effective date of AASB 1059 to annual reporting periods beginning on or after 1 January 2020 instead of 1 January 2019.

Other topics

AASB 2019-4 *Amendments to AASs – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements*

Effective for annual reporting periods beginning on or after 1 July 2019

This standard amends AASB 1054 to require not-for-profit private sector entities preparing special purpose financial statements to disclose information about whether their material accounting policies comply with all the recognition and measurement requirements in Australian Accounting Standards. Among others, a not-for-profit private sector entity is required to disclose the following:

- The basis on which the decision to prepare special purpose financial statements was made
- Whether interests in other entities have been accounted for in a manner consistent with the requirements of AASB 10 or AASB 128
- Details of each material accounting policy that does not comply with the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128)
- Whether the financial statements overall comply with all the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128)

AASB 2019-7 *Amendments to AASs – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations*

Effective for annual reporting periods beginning on or after 1 January 2020

This standard amends AASB 1049 to:

- Provide optional relief, for the General Government Sector (GGS) financial statements and the Whole of Government financial statements (including the Public Non-Financial Corporations (PNFC) and Public Financial Corporations (PFC) sectors), from:
  - Disclosure of the key fiscal aggregates measured in accordance with the ABS GFS Manual where they differ from the key fiscal aggregates measured and disclosed in accordance with Australian Accounting Standards; and
  - A reconciliation of the two measures of key fiscal aggregates; and

- Where the entity elects to adopt the optional relief – require additional disclosure explaining how each key fiscal aggregate is calculated and how it differs from its corresponding GFS measure; the explanation may be qualitative rather than quantitative.

Earlier application is permitted.

Catalogue of new accounting pronouncements issued as of 30 April 2020

New pronouncements[§§] that must be applied for 30 June 2020 year-ends	Effective date[***]	Page
AASB 16 *Leases*	1 January 2019	8
AASB 2018-8 *Amendments to AASs – Right-of-Use Assets of Not-for-Profit Entities*	1 January 2019	14
AASB 2019-8 *Amendments to AASs – Class of Right-of-Use Assets arising under Concessionary Leases*	1 January 2019	14
AASB 2018-2 *Amendments to AASs – Plan Amendment, Curtailment or Settlement*	1 January 2019	10
AASB 2017-7 *Amendments to AASs – Long-term Interests in Associates and Joint Ventures*	1 January 2019	4
AASB 2017-6 *Amendments to AASs – Prepayment Features with Negative Compensation*	1 January 2019	3
AASB 2018-1 *Amendments to AASs – Annual Improvements 2015-2017 Cycle*	1 January 2019	
► *Previously Held Interest in a Joint Operation*		4
► *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*		6
► *Borrowing Costs Eligible for Capitalisation*		12
AASB Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019	6
AASB 2016-8 *Amendments to AASs – Australian Implementation Guidance for Not-for-Profit Entities*	1 January 2019	16
AASB 2018-4 *Amendments to AASs – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors*	1 January 2019	16
AASB 15 *Revenue from Contracts with Customers* [*for not-for-profit entities* only]	1 January 2019	15
AASB 1058 *Income of Not-for-Profit Entities*	1 January 2019	15
AASB 2019-4 *Amendments to AASs – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements*	1 July 2019	18

[§§] For full access to Australian Accounting Standards please visit https://www.aasb.gov.au/.

[***] Effective for annual reporting periods beginning on or after this date

Catalogue of new accounting pronouncements issued as of 30 April 2020

New pronouncements that may be applied early for 30 June 2020 year-ends	Effective date	Page
Conceptual Framework for Financial Reporting	1 January 2020	11
AASB 2019-1 *Amendments to AASs – References to the Conceptual Framework*	1 January 2020	11
AASB 2018-6 *Amendments to AASs – Definition of a Business*	1 January 2020	5
AASB 2019-3 *Amendments to AASs – Interest Rate Benchmark Reform*	1 January 2020	3
AASB 2018-7 *Amendments to AASs – Definition of Material*	1 January 2020	9
AASB 2019-5 *Amendments to AASs – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*	1 January 2020	9
AASB 1059 *Service Concession Arrangements: Grantors*	1 January 2020	17
AASB 2019-2 *Amendments to AASs – Implementation of AASB 1059*	1 January 2020	17
AASB 2019-7 *Amendments to AASs – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations*	1 January 2020	18
AASB 17 *Insurance Contracts*	1 January 2021[†††]	7
AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*	1 July 2021	13
AASB 2020-2 *Amendments to AASs – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*	1 July 2021	13
AASB 2020-1 *Amendments to AASs – Classification of Liabilities as Current or Non-current*	1 January 2022	12
AASB 2014-10 *Amendments to AASs – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2022	5

[†††] At its meeting on 17 March 2020, the IASB agreed to defer the effective date of IFRS 17 to annual reporting periods beginning on or after 1 January 2023. The IASB plans to issue the necessary amendments to IFRS 17 in the second quarter of 2020, with the AASB expected to amend AASB 17 soon after.

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ED None

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