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Technical Accounting Alert

Accounting Standards issued but not yet effective for December 2016

Introduction

The objective of this Technical Accounting (TA) Alert is to:

- provide information regarding the Accounting Standards (and Interpretations) that have been issued with an effective date post 31 December 2016; and
- assist entities in meeting the disclosure requirements in paragraph 30 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*

Overview

When the AASB issues a new or revised Standard (or an Interpretation)[1] with an effective date after the end of the reporting period, an entity[2] has a choice of either:

- early adoption of the Standards in accordance with section 334(5) of *Corporations Act 2001* (via a Director's minute – an example is included in this Alert) and disclosing this fact in the financial statements; or
- not adopting the Standard; in which case the entity must comply with paragraph 30 of AASB 108

Requirements of paragraph 30 of AASB 108

30 When an entity has not applied a new Australian Accounting Standard that has been issued but is not yet effective, the entity shall disclose:

a This fact; and

b Known or reasonably estimable information relevant to assessing the possible impact that application of the new Australian Accounting Standard will have on the entity's financial statements in the period of initial application.

[1] Where an entity includes an explicit and unreserved statement of compliance with International Financial Reporting Standards (IFRSs) as required by paragraph 16 of AASB 101 *Presentation of Financial Statements*, the entity needs to consider Standards issued by the IASB but not yet issued by the AASB. This is likely to apply to all entities, except for those issuing special purpose financial statements and not-for-profit entities.

[2] The requirements of paragraph 30 of AASB 108 are mandatory for all entities preparing financial statements under Part 2M.3 of the *Corporations Act 2001* and for those preparing general purpose financial statements (excluding entities applying Australian Accounting Standards – Reduced Disclosure Requirements).

Furthermore, paragraph 31 of AASB 108 states that in complying with paragraph 30 an entity should consider disclosing:

a The title of the new Australian Accounting Standard;
b The nature of the impending change or changes in accounting policy;
c The date by which application of the Australian Accounting Standard is required;
d The date at which the entity plans to apply the Australian Accounting Standard initially; and
e Either:
  i A discussion of the impact that initial application of the Australian Accounting Standard is expected to have on the entity's financial report; or
  ii If the impact is not known or reasonably estimable; a statement to that effect.

Standards and Interpretations with an effective date post 31 December 2016

The table following (pages 3-14) summarises all Accounting Standards (and Interpretations) that have been issued by the AASB and IASB as at **20 December 2016**. Any further Standards (and Interpretations) issued after this date will also need to be disclosed up until the date of authorisation of the financial report.

Although the table lists most of the Standards (and Interpretations) issued but not yet effective, entities should only disclose Standards (and Interpretations) that are relevant to them. For instance, a for-profit entity does not need to disclose the impact of a new Standard that only applies to entities in the public sector.

In addition, it is important that the sample disclosure/indicative impact for each Standard and Interpretation is tailored to suit the particular circumstances of each entity. Entities should pay particular attention to this disclosure, considering that the Australian Securities and Investments Commission (ASIC) has been expressing concerns over a number of years with entities providing 'boiler plate' disclosures.

Entities applying Australian Accounting Standards – Reduced Disclosure Requirements (RDR)

RDR entities are not required to disclose Accounting Standards issued but not yet effective. Accordingly, none of the RDR-related amendments have been included in the table.

Early adoption of Standards

Where Standards or Interpretations are adopted early, the following Director's minutes may be used for Corporations Act entities[3]:

"In accordance with s334(5) of the Corporations Act, the Directors are early adopting the following Accounting Standards:

- list Standards / Interpretations"

[3] Section 334(5) of *Corporations Act 2001* states that a company, registered scheme or disclosing entity may elect to apply the Accounting Standard to an earlier period unless the Standard says otherwise. The election must be made in writing by the Directors.

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 9 *Financial Instruments (December 2014)* [Also refer to AASB 2013-9 and AASB 2014-1 below]	*AASB 139 Financial Instruments: Recognition and Measurement*	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are: a Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows. b Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments. d Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. e Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI) • the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9: • classification and measurement of financial liabilities; and • derecognition requirements for financial assets and liabilities.	1 January 2018	***[If the entity has undertaken a detailed assessment and concluded that there will be no material impact.]*** *When this standard is first adopted for the year ending 31 December 2018, there will be no material impact on the transactions and balances recognised in the financial statements.* ***[If the entity has undertaken a detailed assessment and concluded that there will be material impact.]*** *Based on the entity's assessment, it is expected that the first-time adoption of AASB 9 for the financial year ending 31 December 2018 will have a material impact on the transactions and balances recognised in the financial statements, in particular:* • *(insert impact)* • *(insert impact)* ***[If the entity has not undertaken a detailed assessment but expects there will be no material impact based on a preliminary assessment.]*** *The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.* ***[If the entity has not undertaken a detailed assessment but expects there will be material impact based on a preliminary assessment.]*** *The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 31 December 2018 includes:* • *(insert impact)* • *(insert impact)*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 9 *Financial Instruments (December 2014)* continued	(As above)	AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting. See TA Alert 2009-22, TA Alert 2010-49, TA Alert 2013-13 and TA Alert 2014-09 for further information. Note that ASIC has included the disclosure of the impact of AASB 9 as a key focus area for the 31 December 2016 reporting season, so it is important for Directors to ensure that 31 December 2016 financial reports disclose the specific impact of AASB 9.		
AASB 1056 *Superannuation Entities*	*AAS 25 Financial Reporting by Superannuation Plans*	AASB 1056 replaces the existing requirements in AAS 25, and applies to large superannuation entities regulated by the Australian Prudential Regulation Authority (APRA) and to public sector superannuation entities. This Standard is expected to result in significant changes to the recognition, measurement, presentation and disclosures relating to superannuation entity financial statements. Some of the key changes include: • greater level of integration between AASB 1056 and other Australian Accounting Standards • a revised definition of a superannuation entity • revised content/presentation of financial statements (e.g. the introduction of a statement of changes in member benefits and a statement of changes in equity/reserves) • use of fair value rather than net market value for measuring assets and liabilities (subject to certain exceptions) • revised member liability recognition and measurement requirements • new requirements regarding employer-sponsor receivables • new / revised disclosure requirements For further information, refer to TA Alert 2014-07.	1 July 2016	***[If the superannuation entity has undertaken a detailed assessment and concluded that there will be a material impact.]*** *When this standard is adopted for the first time for the year ending 31 December 2017, there will be significant changes to the recognition, measurement, presentation and disclosures relating to the entity's financial statements. For instance, assets and liabilities will generally be measured at 'fair value through profit or loss' rather than at 'net market value'. The entity will apply the requirements of this Standard retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. However, a statement of financial position as at the beginning of the earliest comparative period (i.e. as at 1 January 2016) will not be presented as permitted by AASB 1056.* ***[If the superannuation entity has not undertaken a detailed assessment but expects there will be no material impact based on a preliminary assessment.]*** *The entity is yet to undertake a detailed assessment of the impact of AASB 1056. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the financial statements when it is first adopted for the year ending 31 December 2017.*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 15 *Revenue from Contracts with Customers*	AASB 118 *Revenue* AASB 111 *Construction Contracts* Int. 13 *Customer Loyalty Programmes* Int. 15 *Agreements for the Construction of Real Estate* Int. 18 *Transfer of Assets from Customers* Int. 131 *Revenue – Barter Transactions Involving Advertising Services* Int. 1042 *Subscriber Acquisition Costs in the Telecommunications Industry*	AASB 15: • replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and some revenue-related Interpretations: – establishes a new revenue recognition model – changes the basis for deciding whether revenue is to be recognised over time or at a point in time – provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing) – expands and improves disclosures about revenue In May 2015, the AASB issued ED 260 *Income of Not-for-Profit Entities*, proposing to replace the income recognition requirements of AASB 1004 *Contributions* and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016. Note that ASIC has included the disclosure of the impact of AASB 15 as a key focus area for the 31 December 2016 reporting season, so it is important for Directors to ensure that 31 December 2016 financial reports disclose the specific impact of AASB 15.	1 January 2018	***[If the entity has undertaken a detailed assessment and concluded that there will be no material impact.]*** *When this Standard is first adopted for the year ending 31 December 2018, there will be no material impact on the transactions and balances recognised in the financial statements.* ***[If the entity has undertaken a detailed assessment and concluded that there will be material impact (for example, due to the application of AASB 15 guidance on multiple element contracts, contingent consideration / variable fees, etc).]*** *Based on the entity's assessment, it is expected that the first-time adoption of AASB 15 for the year ending 31 December 2018 will have a material impact on the transactions and balances recognised in the financial statements, in particular:* • *(insert impact)* • *(insert impact)* ***[If the entity has not undertaken a detailed assessment but expects there will be no material impact based on a preliminary assessment.]*** *The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.* ***[If the entity has not undertaken a detailed assessment but expects there will be material impact based on a preliminary assessment.]*** *The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 31 December 2018 includes:* • *(insert impact)* • *(insert impact)*

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New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 16 *Leases*	AASB 117 *Leases* Int. 4 *Determining whether an Arrangement contains a Lease* Int. 115 *Operating Leases—Lease Incentives* Int. 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	AASB 16: • replaces AASB 117 *Leases* and some lease-related Interpretations • requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases • provides new guidance on the application of the definition of lease and on sale and lease back accounting • largely retains the existing lessor accounting requirements in AASB 117 • requires new and different disclosures about leases Note that ASIC has included the disclosure of the impact of AASB 16 as a key focus area for the 31 December 2016 reporting season, so it is important for Directors to ensure that 31 December 2016 financial reports disclose the specific impact of AASB 16.	1 January 2019	***[If the entity has undertaken a detailed assessment and concluded that there will be no material impact.]*** *When this Standard is first adopted for the year ending 31 December 2019, there will be no material impact on the transactions and balances recognised in the financial statements.* ***[If the entity has undertaken a detailed assessment and concluded that there will be material impact due to bringing existing material off balance sheet leases on-balance sheet when AASB 16 is first adopted.]*** *Based on the entity's assessment, it is expected that the first-time adoption of AASB 16 for the year ending 31 December 2019 will have a material impact on the transactions and balances recognised in the financial statements, in particular:* • *lease assets and financial liabilities on the balance sheet will increase by $[xxx,xxx] and $[xxx,xxx] respectively (based on the facts at the date of the assessment)* • *there will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities* • *EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses* • *operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities* • *(insert other impact)* ***[If the entity has not undertaken a detailed assessment but expects there will be no material impact based on a preliminary assessment.]*** *The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2019.*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 16 *Leases* continued				***[If the entity has not undertaken a detailed assessment but expects there will be material impact based on a preliminary assessment as the entity will need to bring existing material off balance sheet leases on-balance sheet.]*** *The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 31 December 2019 includes:* • *there will be a significant increase in lease assets and financial liabilities recognised on the balance sheet* • *the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities* • *EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses* • *operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities* • *(insert other impact)*
AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*	None	AASB 2014-5 incorporates the consequential amendments arising from the issuance of AASB 15.	1 January 2018	*Refer to the section on AASB 15 above.*
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*	None	AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9.	1 January 2018	*Refer to the section on AASB 9 above.*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	None	The amendments address a current inconsistency between AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*. The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 *Business Combinations*. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business. This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128.	1 January 2018	***[If the entity has concluded that there will be no material impact.]*** *When these amendments are first adopted for the year ending 31 December 2018, there will be no material impact on the financial statements.*
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities	None	The amendments extend the scope of AASB 124 *Related Party Disclosures* to include not-for-profit public sector entities. The key impact of the amendments is to specify consistent related party disclosure requirements for the Australian Government, State Governments, local councils and other not-for-profit public sector entities.	1 July 2016	***[All entities other than not-for-profit public sector entities.]*** *When these amendments are first adopted for the year ending 30 June 2017, there will be no impact on the financial statements.* ***[Not-for-profit public sector entities that have concluded that there will be a material impact.]*** *When these amendments are first adopted for the year ending 30 June 2017, there will be significant additional disclosures on the financial statements.* ***[Not-for-profit public sector entities that have concluded that there will be no material impact.]*** *When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.*

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New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*	None	AASB 2015-7 amends AASB 13 *Fair Value Measurement* to provide disclosure relief to not-for-profit public sector entities from certain disclosures about the fair value measurements of property, plant and equipment held for their current service potential rather than to generate net cash inflows. This includes relief from disclosures of quantitative information about the significant unobservable inputs used in fair value measurements and of the sensitivity of certain fair value measurements to changes in unobservable inputs.	1 July 2016	***[All entities other than not-for-profit public sector entities.]*** *When these amendments are first adopted for the year ending 31 December 2017, there will be no impact on the financial statements.* ***[Not-for-profit public sector entities that have concluded that there will be a material impact.]*** *When these amendments are first adopted for the year ending 31 December 2017, disclosures of quantitative information about the significant unobservable inputs used in fair value measurements and the sensitivity of certain fair value measurements to changes in unobservable inputs will no longer be required.* ***[Not-for-profit public sector entities that have concluded that there will be no material impact.]*** *When these amendments are first adopted for the year ending 31 December 2017, there will be no material impact on the financial statements.*
AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*	None	AASB 2015-8 amends the mandatory application date of AASB 15 *Revenue from Contracts with Customers* so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. It also defers the consequential amendments that were originally set out in AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*.	1 January 2017	*Refer to the section on AASB 15 above.*
AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*	None	AASB 2016-1 amends AASB 112 *Income Taxes* to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.	1 January 2017	***[If the entity has concluded that there will be no material impact.]*** *When these amendments are first adopted for the year ending 31 December 2017, there will be no material impact on the financial statements.*
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*	None	AASB 2016-2 amends AASB 107 *Statement of Cash Flows* to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	***[If the entity has concluded that there will be no material impact.]*** *When these amendments are first adopted for the year ending 31 December 2017, there will be no material impact on the financial statements.*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*	None	The amendments clarify the application of AASB 15 in three specific areas to reduce the extent of diversity in practice that might otherwise result from differing views on how to implement the requirements of the new standard. They will help companies: 1 Identify performance obligations (by clarifying how to apply the concept of 'distinct'); 2 Determine whether a company is a principal or an agent in a transaction (by clarifying how to apply the control principle); 3 Determine whether a licence transfers to a customer at a point in time or over time (by clarifying when a company's activities significantly affect the intellectual property to which the customer has rights). The amendments also create two additional practical expedients available for use when implementing AASB 15: 1 For contracts that have been modified before the beginning of the earliest period presented, the amendments allow companies to use hindsight when identifying the performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations. 2 Companies applying the full retrospective method are permitted to ignore contracts already complete at the beginning of the earliest period presented.	1 January 2018	*Refer to the section on AASB 15 above.*
AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*	None	This Standard amends AASB 136 *Impairment of Assets* to: a Remove references to depreciated replacement cost as a measure of value in use for not-for-profit entities; and b Clarify that the recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 *Fair Value Measurement*, with the consequence that: i AASB 136 does not apply to such assets that are regularly revalued to fair value under the revaluation model in AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets*; and ii AASB 136 applies to such assets accounted for under the cost model in AASB 116 and AASB 138.	1 January 2017	***[If the NFP entity has concluded that there will be no material impact.]*** *When these amendments are first adopted for the year ending 31 December 2017, there will be no material impact on the financial statements.* ***[If the NFP entity has concluded that there will be material impact.]*** *When these amendments are first adopted for the year ending 31 December 2017, the entity will need to use fair value less costs of disposal to measure the recoverable amounts of relevant assets.*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*	None	This Standard amends AASB 2 *Share-based Payment* to address: a The accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; b The classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and c The accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018	***[If the entity has concluded that there will be no material impact.]*** *When these amendments are first adopted for the year ending 31 December 2018, there will be no material impact on the financial statements.*
AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*	None	This Standard amends AASB *4 Insurance Contracts* to permit issuers of insurance contracts to: a Choose to apply the 'overlay approach' that involves applying AASB 9 *Financial Instruments* and also applying AASB 139 *Financial Instruments: Recognition and Measurement* to eligible financial assets to calculate a single line item adjustment to profit or loss so that the overall impact on profit or loss is the same as if AASB 139 had been applied; or b Choose to be temporarily exempt from AASB 9 when those issuers' activities are predominantly connected with insurance, provided they make additional disclosures to enable users to make comparisons with issuers applying AASB 9. This Standard incorporates amendments into AASB 4 that are set out in *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)* issued by the IASB in September 2016. A key motivation for the IASB issuing the amendments to IFRS 4 is to address concerns among some stakeholders about having to implement IFRS 9 shortly before having to implement a forthcoming new IFRS on insurance contracts. In general, those stakeholders have been concerned that IFRS 9 would require some financial assets to be measured at fair value through profit or loss that are currently measured under IAS 39 *Financial Instruments: Recognition and Measurement* at fair value through other comprehensive income. AASB 1023 *General Insurance Contracts* and AASB *1038 Life Insurance Contracts* require financial assets backing insurance liabilities, when possible, to be measured at fair value through profit or loss. The AASB has decided to retain these requirements until a new AASB Standard on insurance contracts (that is expected to replace AASB 4, AASB 1023 and AASB 1038) is applied. Accordingly, the AASB expects the applicability of AASB 2016-6 to be very limited.	1 January 2018	***[If the entity is an issuer of insurance contracts and has concluded that there will be no material impact.]*** *When these amendments are first adopted for the year ending 31 December 2018, there will be no material impact on the financial statements.* ***[If the entity is not an issuer of insurance contracts.]*** *When these amendments become effective for the first time for the year ending 31 December 2018, there will be no impact on the entity.*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 1058 *Income of Not-for-Profit Entities*	AASB 1004 *Contributions* (in part)	AASB 1058 clarifies and simplifies the income recognition requirements that apply to NFP entities, in conjunction with AASB 15 *Revenue from Contracts with Customers*. These Standards supersede all the income recognition requirements relating to private sector NFP entities, and the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 *Contributions*. Under AASB 1058, the timing of income recognition depends on whether a NFP transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity. This standard applies when a NFP entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. In the latter case, the entity will recognise and measure the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 *Property, Plant and Equipment*). Upon initial recognition of the asset, AASB 1058 requires the entity to consider whether any other financial statement elements (called 'related amounts') should be recognised, such as: a Contributions by owners; b Revenue, or a contract liability arising from a contract with a customer; c A lease liability; d A financial instrument; or e A provision. These related amounts will be accounted for in accordance with the applicable Australian Accounting Standard.	1 January 2019	***[If the NFP entity has undertaken a detailed assessment and concluded that there will be no material impact.]*** *When this Standard is first adopted for the year ending 31 December 2019, there will be no material impact on the transactions and balances recognised in the financial statements.* ***[If the NFP entity has undertaken a detailed assessment and concluded that there will be material impact (for example, when the entity holds peppercorn leases where a nominal amount is paid to the lessor).]*** *Based on the entity's assessment, it is expected that the first-time adoption of AASB 1058 for the year ending 31 December 2019 will have a material impact on the transactions and balances recognised in the financial statements, in particular:* • *(insert impact)* • *(insert impact)* ***[If the NFP entity has not undertaken a detailed assessment but expects there will be no material impact based on a preliminary assessment.]*** *The entity is yet to undertake a detailed assessment of the impact of AASB 1058. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2019.* ***[If the NFP entity has not undertaken a detailed assessment but expects there will be material impact based on a preliminary assessment.]*** *The entity is yet to undertake a detailed assessment of the impact of AASB 1058. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 31 December 2019 includes:* • *(insert impact)* • *(insert impact)*
AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities*	None	AASB 2016-7 amends the mandatory effective date of AASB 15 for not-for-profit entities so that AASB 15 is required to be applied by such entities for annual reporting periods beginning on or after 1 January 2019 instead of 1 January 2018.	1 January 2017	***[If the entity has concluded that there will be no material impact.]*** *When these amendments are first adopted for the year ending 31 December 2017, there will be no material impact on the financial statements.*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*	None	AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 *Financial Instruments* (2014) and AASB 15 *Revenue from Contracts with Customers*. This guidance will assist not-for-profit entities in applying those Standards.	1 January 2019	*Refer to the section on AASB 1058 above.*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
Standards issued by the IASB, but not yet by the AASB				
Annual Improvements to IFRSs 2014-2016 Cycle	None	This is a collection of amendments to IFRSs that addresses non-urgent (but necessary) minor amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures*.	Amendments to IFRS 12: 1 January 2017 Amendments to IFRS 1 and IAS 28: 1 January 2018	*When these amendments are first adopted for the year ending 31 December 2017 and 31 December 2018 (respectively), there will be no material impact on the entity.*
Transfers of Investment Property (Amendments to IAS 40)	None	The amendments clarify that transfers to, or from, investment property are required when, and only when, there is a change in use of property supported by evidence. The amendments also re-characterise the list of circumstances appearing in IAS 40.57(a)-(d) as a non-exhaustive list of examples of evidence that a change in use has occurred. In addition, the IASB has clarified that a change in management's intent, by itself, does not provide sufficient evidence that a change in use has occurred. Evidence of a change in use must be observable.	1 January 2018	***[If the entity has concluded that there will be no material impact.]*** *When these amendments are first adopted for the year ending 31 December 2018, there will be no material impact on the financial statements.*
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*		IFRIC 22 looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. Although IAS 21 *The Effects of Changes in Foreign Exchange Rates* sets out requirements about which exchange rate to use when recording a foreign currency transaction on initial recognition in an entity's functional currency, IFRIC had observed diversity in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognised. IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.	1 January 2018	***[If the entity has concluded that there will be no material impact.]*** *When this Interpretation is first adopted for the year ending 31 December 2018, there will be no material impact on the financial statements.*

Action required

With the 31 December 2016 reporting deadlines fast approaching, entities should now take time to review and consider the impact of new and revised accounting standards that have been issued but are not yet effective. This is particularly important considering that ASIC is looking to scrutinise disclosures in this area.

Further information

For queries on any of the information included in this Technical Accounting (TA) Alert, please get in touch with your local Grant Thornton Australia contact or a member of the National Audit Support Team at nationalaudit.support@au.gt.com.