



Technical Accounting Alert

TA 2018-01

Accounting standards issued but not yet effective for 31 December 2017

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 2017; 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 entity² 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 2017

The table following (pages [3-17](#)) summarises all Accounting Standards (and Interpretations) that have been issued by the AASB and IASB as at **8 January 2018**. 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 entities³:

"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 <i>Financial Instruments</i> (December 2014)	AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	<p>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.</p> <p>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:</p> <ol style="list-style-type: none"> 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. 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. Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments. 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. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: 	1 January 2018	<p><i>[If the entity has undertaken a detailed assessment and concluded that there will be no material impact.]</i></p> <p><i>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.</i></p> <p><i>[If the entity has undertaken a detailed assessment and concluded that there will be material impact.]</i></p> <p><i>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:</i></p> <ul style="list-style-type: none"> <i>(insert impact)</i> <i>(insert impact)</i> <p><i>[If the entity has not undertaken a detailed assessment but expects there will be no material impact based on a preliminary assessment.]</i></p> <p><i>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.</i></p> <p><i>[If the entity has not undertaken a detailed assessment but expects there will be material impact based on a preliminary assessment.]</i></p> <p><i>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:</i></p> <ul style="list-style-type: none"> <i>(insert impact)</i> <i>(insert impact)</i>



New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after)	Likely impact on initial application
		<ul style="list-style-type: none"> – the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI) – the remaining change is presented in profit or loss <p>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.</p> <p>Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:</p> <ul style="list-style-type: none"> – classification and measurement of financial liabilities; and – derecognition requirements for financial assets and liabilities. <p>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.</p>		
AASB 9 <i>Financial Instruments</i> (December 2014) continued	(As above)	<p>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.</p> <p>Note that ASIC has included the disclosure of the impact of AASB 9 as a key focus area for the 31 December 2017 reporting season, so it is important for Directors to ensure that 31 December 2017 financial reports disclose the specific impact of AASB 9.</p>		
AASB 15 <i>Revenue from Contracts with Customers</i>	AASB 118 <i>Revenue</i> AASB 111 <i>Construction Contracts</i>	<p>AASB 15:</p> <ul style="list-style-type: none"> • replaces AASB 118 <i>Revenue</i>, AASB 111 <i>Construction Contracts</i> and some revenue-related Interpretations: 	1 January 2018 (for-profit entities)	<p><i>[If the entity has undertaken a detailed assessment and concluded that there will be no material impact.]</i></p> <p><i>When this Standard is first adopted for the year ending 31 December 2018, there will be no material impact on</i></p>



New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after)	Likely impact on initial application
Int. 13 <i>Customer Loyalty Programmes</i> Int. 15 <i>Agreements for the Construction of Real Estate</i> Int. 18 <i>Transfer of Assets from Customers</i> Int. 131 <i>Revenue – Barter Transactions Involving Advertising Services</i> Int. 1042 <i>Subscriber Acquisition Costs in the Telecommunications Industry</i>	<ul style="list-style-type: none"> – 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. 	<p>Note that ASIC has included the disclosure of the impact of AASB 15 as a key focus area for the 31 December 2017 reporting season, so it is important for Directors to ensure that 31 December 2017 financial reports disclose the specific impact of AASB 15.</p>	1 January 2019 (not-for-profit entities)	<p><i>the transactions and balances recognised in the financial statements.</i></p> <p><i>[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.).]</i></p> <p><i>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:</i></p> <ul style="list-style-type: none"> • <i>(insert impact)</i> • <i>(insert impact)</i> <p><i>[If the entity has not undertaken a detailed assessment but expects there will be no material impact based on a preliminary assessment.]</i></p> <p><i>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.</i></p> <p><i>[If the entity has not undertaken a detailed assessment but expects there will be material impact based on a preliminary assessment.]</i></p> <p><i>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:</i></p> <ul style="list-style-type: none"> • <i>(insert impact)</i> • <i>(insert impact)</i>



AASB 16 Leases	<p>AASB 117 Leases Int. 4 <i>Determining whether an Arrangement contains a Lease</i> Int. 115 <i>Operating Leases—Lease Incentives</i> Int. 127 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i></p>	<p>AASB 16:</p> <ul style="list-style-type: none"> 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. <p>Note that ASIC has included the disclosure of the impact of AASB 16 as a key focus area for the 31 December 2017 reporting season, so it is important for Directors to ensure that 31 December 2017 financial reports disclose the specific impact of AASB 16.</p>	1 January 2019	<p><i>[If the entity has undertaken a detailed assessment and concluded that there will be no material impact.]</i> 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.</p> <p><i>[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.]</i> 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:</p> <ul style="list-style-type: none"> 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) <p><i>[If the entity has not undertaken a detailed assessment but expects there will be no material impact based on a preliminary assessment.]</i></p>
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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 continued	(As above)			<p>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.</p> <p><i>[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.]</i></p> <p>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:</p> <ul style="list-style-type: none"> • 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)



New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after)	Likely impact on initial application
AASB 17 <i>Insurance Contracts</i>	AASB 4 <i>Insurance Contracts</i> AASB 1023 <i>General Insurance Contracts</i> AASB 1038 <i>Life Insurance Contracts</i>	<p>AASB 17 requires all insurance contracts to be accounted for in a consistent manner and requires insurance obligations to be accounted for using current values.</p> <p>The standard introduces insurance contract measurement principles requiring:</p> <ul style="list-style-type: none"> • current, explicit and unbiased estimates of future cash flows • discount rates that reflect the characteristics of the contracts' cash flows • explicit adjustment for non-financial risk. <p>Under AASB 17:</p> <ul style="list-style-type: none"> • day one profits should be deferred as contractual service margin and allocated systematically to profit or loss as entities provide coverage and are released from risk • revenue is no longer equal to written premiums but to the change in the contract liability covered by consideration • a separate measurement model applies to reinsurance contracts held. Modifications are allowed for qualifying short-term contracts and participating contracts • increased disclosure requirements apply. 	1 January 2021	<p><i>[If the entity has undertaken a detailed assessment and concluded that there will be no material impact.]</i></p> <p><i>When this standard is first adopted for the year ending 31 December 2021, there will be no material impact on the transactions and balances recognised in the financial statements.</i></p> <p><i>[If the entity has undertaken a detailed assessment and concluded that there will be material impact.]</i></p> <p><i>Based on the entity's assessment, it is expected that the first-time adoption of AASB 17 for the financial year ending 31 December 2021 will have a material impact on the transactions and balances recognised in the financial statements, in particular:</i></p> <ul style="list-style-type: none"> • <i>(insert impact)</i> • <i>(insert impact)</i> <p><i>[If the entity has not undertaken a detailed assessment but expects there will be no material impact based on a preliminary assessment.]</i></p> <p><i>The entity is yet to undertake a detailed assessment of the impact of AASB 17. 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 2021.</i></p> <p><i>[If the entity has not undertaken a detailed assessment but expects there will be material impact based on a preliminary assessment.]</i></p> <p><i>The entity is yet to undertake a detailed assessment of the impact of AASB 17. 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 2021 includes:</i></p> <ul style="list-style-type: none"> • <i>(insert impact)</i> • <i>(insert impact)</i>

Note that ASIC has included the disclosure of the impact of AASB 17 as a key focus area for the 31 December 2017 reporting season, so it is important for Directors to ensure that 31 December 2017 financial reports disclose the specific impact of AASB 17.

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January 2018



New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after)	Likely impact on initial application
				<i>[If the entity has not yet assessed the impact.] The entity has not yet assessed the full impact of this Standard.</i>
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	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 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i>	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 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	None	<p>The amendments address a current inconsistency between AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i>.</p> <p>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 <i>Business Combinations</i>. 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.</p> <p>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.</p> <p>*The mandatory effective date of AASB 2014-10 has now been deferred to 1 January 2022 by AASB 2017-5 (see below the section on AASB 2017-5).</p>	1 January 2018*	<p><i>[If the entity has concluded that there will be no material impact.]</i></p> <p><i>When these amendments are first adopted for the year ending 31 December 2018, there will be no material impact on the financial statements.</i></p>



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 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	None	<p>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:</p> <ol style="list-style-type: none"> 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). <p>The amendments also create two additional practical expedients available for use when implementing AASB 15:</p> <ol style="list-style-type: none"> 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.



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 <i>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i>	None	<p>This Standard amends AASB 2 <i>Share-based Payment</i> to address:</p> <ul style="list-style-type: none"> 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	<p><i>[If the entity has concluded that there will be no material impact.]</i></p> <p><i>When these amendments are first adopted for the year ending 31 December 2018, there will be no material impact on the financial statements.</i></p>
AASB 2016-6 <i>Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts</i>	None	<p>This Standard amends AASB 4 <i>Insurance Contracts</i> to permit issuers of insurance contracts to:</p> <ul style="list-style-type: none"> a Choose to apply the ‘overlay approach’ that involves applying AASB 9 <i>Financial Instruments</i> and also applying AASB 139 <i>Financial Instruments: Recognition and Measurement</i> 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. <p>This Standard incorporates amendments into AASB 4 that are set out in <i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)</i> 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 the new IFRS on insurance contracts. In general, those stakeholders have been concerned that</p>	1 January 2018	<p><i>[If the entity is an issuer of insurance contracts and has concluded that there will be no material impact.]</i></p> <p><i>When these amendments are first adopted for the year ending 31 December 2018, there will be no material impact on the financial statements.</i></p> <p><i>[If the entity is not an issuer of insurance contracts.]</i></p> <p><i>When these amendments become effective for the first time for the year ending 31 December 2018, there will be no impact on the entity.</i></p>



New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after)	Likely impact on initial application
		<p>IFRS 9 would require some financial assets to be measured at fair value through profit or loss that are currently measured under IAS 39 <i>Financial Instruments: Recognition and Measurement</i> at fair value through other comprehensive income.</p> <p>AASB 1023 <i>General Insurance Contracts</i> and AASB 1038 <i>Life Insurance Contracts</i> 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 the new AASB Standard on insurance contracts (replacing AASB 4, AASB 1023 and AASB 1038) is applied. Accordingly, the AASB expects the applicability of AASB 2016-6 to be very limited.</p>		



<p>AASB 1058 <i>Income of Not-for-Profit Entities</i></p>	<p>AASB 1004 <i>Contributions</i> (in part)</p>	<p>AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-to-profit (NFP) entities, in conjunction with AASB 15 <i>Revenue from Contracts with Customers</i>. 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 <i>Contributions</i>.</p> <p>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.</p> <p>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 <i>Property, Plant and Equipment</i>).</p> <p>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:</p> <ul style="list-style-type: none"> 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. <p>These related amounts will be accounted for in accordance with the applicable Australian Accounting Standard.</p>	<p>1 January 2019</p>	<p><i>[If the NFP entity has undertaken a detailed assessment and concluded that there will be no material impact.]</i></p> <p><i>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.</i></p> <p><i>[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).]</i></p> <p><i>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:</i></p> <ul style="list-style-type: none"> • <i>(insert impact)</i> • <i>(insert impact)</i> <p><i>[If the NFP entity has not undertaken a detailed assessment but expects there will be no material impact based on a preliminary assessment.]</i></p> <p><i>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.</i></p> <p><i>[If the NFP entity has not undertaken a detailed assessment but expects there will be material impact based on a preliminary assessment.]</i></p> <p><i>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:</i></p> <ul style="list-style-type: none"> • <i>(insert impact)</i> • <i>(insert impact)</i>
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AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. It requires the grantor to:

- recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset;
- reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service concession asset;
- initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in AASB 13 *Fair Value Measurement*. Subsequent to the initial recognition or reclassification of the asset, 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 AASB 1059;
- recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator; and
- disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.

1 January 2019

[Non-public sector entities]

When this Standard is first adopted for the year ending 31 December 2019, there will be no impact on the transactions and balances recognised in the financial statements as AASB 1059 only applies to public sector entities.

[Public sector entities that are not grantors in a service concession arrangement]

When this Standard is first adopted for the year ending 31 December 2019, there will be no impact on the transactions and balances recognised in the financial statements as the entity is not a grantor in a service concession arrangement.

[If the entity is a grantor in the public sector and 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 is a grantor in the public sector and 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 1059 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 entity is a grantor in the public sector and 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 1059. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions



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 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	None	AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit (NFP) entities into AASB 9 <i>Financial Instruments</i> (2014) and AASB 15 <i>Revenue from Contracts with Customers</i> . This guidance will assist not-for-profit entities in applying those Standards. NFP entities will generally apply AASB 15 where an agreement creates enforceable rights and obligations and includes sufficiently specific promises to transfer goods or services to the customer or third party beneficiaries.	1 January 2019	<p><i>and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2019.</i></p> <p><i>[If the entity is a grantor in the public sector and has not undertaken a detailed assessment but expects there will be material impact based on a preliminary assessment.]</i></p> <p><i>The entity is yet to undertake a detailed assessment of the impact of AASB 1059. 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:</i></p> <ul style="list-style-type: none"> • <i>(insert impact)</i> • <i>(insert impact)</i> <p><i>Refer to the section on AASB 1058 above.</i></p>



New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after)	Likely impact on initial application
AASB 2017-1 <i>Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments</i>	None	<p>AASB 2017-1 amends:</p> <ul style="list-style-type: none"> • AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> to delete some short-term exemptions for first-time adopters that were available only for reporting periods that have passed and to add exemptions arising from AASB Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>; • AASB 128 <i>Investments in Associates and Joint Ventures</i> to clarify that: <ul style="list-style-type: none"> – a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture; and – an entity that is not an investment entity may elect to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method. This choice is available separately for each investment entity associate or joint venture; and • AASB 140 <i>Investment Property</i> to reflect the principle that an entity transfers a property to, or from, investment property when, and only when, there is a change in use of the property supported by evidence that a change in use has occurred. 	<p>1 January 2018 (for-profit entities) 1 January 2019 (not-for-profit entities)</p>	<p><i>[If a for-profit entity has concluded that there will be no material impact.]</i> When these amendments are first adopted for the year ending 31 December 2018, there will be no material impact on the financial statements.</p> <p><i>[If a not-for-profit entity has concluded that there will be no material impact.]</i> When these amendments are first adopted for the year ending 31 December 2019, there will be no material impact on the financial statements.</p>



New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after)	Likely impact on initial application
AASB 2017-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 4</i>	None	<p>This Standard amends AASB 4 <i>Insurance Contracts</i> to confirm that in Australia compliance with AASB 1023 <i>General Insurance Contracts</i> and AASB 1038 <i>Life Insurance Contracts</i> ensures simultaneous compliance with AASB 4. AASB 1023 and AASB 1038 address all aspects of recognition, measurement and disclosure of general and life insurance contracts. These Standards address a wider range of accounting requirements than AASB 4.</p> <p>This Standard also amends AASB 4 to ensure that the relief available to issuers of insurance contracts set out in AASB 2016-6 <i>Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts</i> can be applied by an entity applying either AASB 1023 or AASB 1038 if the entity otherwise meets the qualifying criteria.</p>	1 January 2018	<p><i>[If the entity has concluded that there will be no material impact.]</i></p> <p>When these amendments are first adopted for the year ending 31 December 2018, there will be no material impact on the financial statements.</p>
AASB 2017-4 <i>Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments</i>	None	AASB 2017-4 amends AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> to add paragraphs arising from AASB Interpretation 23 <i>Uncertainty over Income Tax Treatments</i> .	1 January 2019	<p><i>[If the entity has concluded that there will be no material impact.]</i></p> <p>When these amendments are first adopted for the year ending 31 December 2019, there will be no material impact on the financial statements.</p>

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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 2017-5 <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>	None	<p>AASB 2017-5 defers the mandatory effective date of amendments to AASB 10 and AASB 128 that were originally made in AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2022 instead of 1 January 2018.</p> <p>The amendments in AASB 2014-10 originally applied to annual reporting periods beginning on or after 1 January 2016, but were later deferred by the IASB indefinitely. Due to legal implications, the AASB was unable to defer the amendments indefinitely, and instead deferred the amendments to apply to annual reporting periods beginning on or after 1 January 2018 through AASB 2015-10 <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128</i>. As the IASB's amendments continue to be deferred indefinitely, this Standard further defers the amendments to annual reporting periods beginning on or after 1 January 2022. This Standard also makes various editorial corrections to Australian Accounting Standards</p>	1 January 2018	<p><i>[If the entity has concluded that there will be no material impact.]</i></p> <p>When these amendments are first adopted for the year ending 31 December 2018, there will be no material impact on the financial statements.</p>
AASB 2017-6 <i>Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation</i>	None	<p>AASB 2017-6 amends AASB 9 <i>Financial Instruments</i> (2014) to permit entities to measure at amortised cost or fair value through other comprehensive income particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature. This is subject to meeting other conditions, such as the nature of the business model relevant to the financial asset. Otherwise, the financial assets would be measured at fair value through profit or loss.</p>	1 January 2019	<p><i>[If the entity has concluded that there will be no material impact.]</i></p> <p>When these amendments are first adopted for the year ending 31 December 2019, there will be no material impact on the financial statements.</p>



New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after)	Likely impact on initial application
AASB 2017-7 <i>Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures</i>	None	AASB 2017-7 amends AASB 128 <i>Investments in Associates and Joint Ventures</i> to clarify that an entity is required to account for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 <i>Financial Instruments</i> before applying the loss allocation and impairment requirements in AASB 128.	1 January 2019	<i>[If the entity has concluded that there will be no material impact.]</i> When these amendments are first adopted for the year ending 31 December 2019 , there will be no material impact on the financial statements.
Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	Note	Interpretation 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 AASB 121 <i>The Effects of Changes in Foreign Exchange Rates</i> sets out requirements about which exchange rate to use when recording a foreign currency transaction on initial recognition in an entity's functional currency, the IFRS Interpretations Committee 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. Interpretation 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	<i>[If the entity has concluded that there will be no material impact.]</i> When this interpretation is adopted for the year ending 31 December 2018 , 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
Interpretation 23 <i>Uncertainty Over Income Tax Treatments</i>	None	Interpretation 23 clarifies how the recognition and measurement requirements of AASB 112 <i>Income Taxes</i> are applied where there is uncertainty over income tax treatments.	1 January 2019	<p><i>[If the entity has undertaken an assessment and concluded that there will be no material impact.]</i></p> <p><i>When this Interpretation 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.</i></p> <p><i>[If the entity has undertaken an assessment and concluded that there will be material impact.]</i></p> <p><i>Based on the entity's assessment, it is expected that the first-time adoption of this Interpretation for the financial year ending 31 December 2019 will have a material impact on the transactions and balances recognised in the financial statements, in particular:</i></p> <ul style="list-style-type: none"> <i>• (insert impact)</i> <i>• (insert impact)</i> <p><i>[If the entity has not yet assessed the impact.]</i></p> <p><i>The entity has not yet assessed the full impact of this Interpretation.</i></p>



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				
<i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i>	<i>None</i>	This standard makes a number of relatively minor amendments to IFRS 3 <i>Business Combinations</i> , IFRS 11 <i>Joint Arrangements</i> , IAS 12 <i>Income Taxes</i> and IAS 23 <i>Borrowing Costs</i> .	1 January 2019	<i>[If the entity has concluded that there will be no material impact.] When this interpretation is adopted for the year ending 31 December 2019, there will be no material impact on the financial statements.</i>

Action required

With the 31 December 2017 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

If you wish to discuss any of the information included in this Technical Accounting Alert, please get in touch with your local Grant Thornton Australia contact or a member of the National Assurance Quality Team at national.assurance.quality@au.gt.com.