



Changing Accounting Standards

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Areas of coverage

Coming Soon

- AASB 9 Financial Instruments
- AASB 124 Related Parties
- AASB 15 Revenue from Contracts with Customers
- AASB 1058 Income
- AASB 117 Leases
- AASB 101 Presentation of Financial Statements (an update)

A Little Further Away

- AASB 10XY Service Concession Arrangements: Grantors
- ED 270 Reporting Service Performance Information

AASB 9 Financial Instruments (2018-19)

- The new standard replaces the existing complicated, rules-based approach to financial instruments with simplified principles.
- Increased judgement will be required to apply these principles.
- A deeper understanding of how an entity manages its financial instruments will be required.
- Depending on circumstance, more financial instruments will likely be measured subsequently at fair value.

.....not likely to have a significant impact in the Local Government sector.

AASB 124 Related Parties (2016-17)

- First time application to not for profit sector (not a new standard)
- Key questions
 1. Who are KMP
 2. Who are the related parties of KMP
 3. What transactions have occurred or balances exist
 4. What disclosure is required
- Requires engagement of KMP
- Requires you to adopt a degree of professional scepticism
- Sector specific guidance available



AASB 15 Revenue from Contracts with Customers (2018-19)

- The standard will have little effect on the amount and timing of revenue recognised for the most straightforward contracts.
- The standard shifts the focus from the transaction-level to a contract-based approach.
- All revenue from contracts with customers will be recognised and measured following a 5-step process:
 - Step 1: Identify the contract with the customer,
 - Step 2: Identify the performance obligations in the contract,
 - Step 3: Determine the transaction price,
 - Step 4: Allocate the transaction price to the performance obligations in the contract, and
 - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.
- *This standard is expected to impact Local government entities with contracts with customers, even if some of those contracts might be regarded as 'non-reciprocal' (i.e. grants) in accordance with existing AASB 1004 Contributions.*
- The effect is that revenue for some not-for-profits may be deferred.

AASB 15 Revenue from Contracts with Customers Cont'd

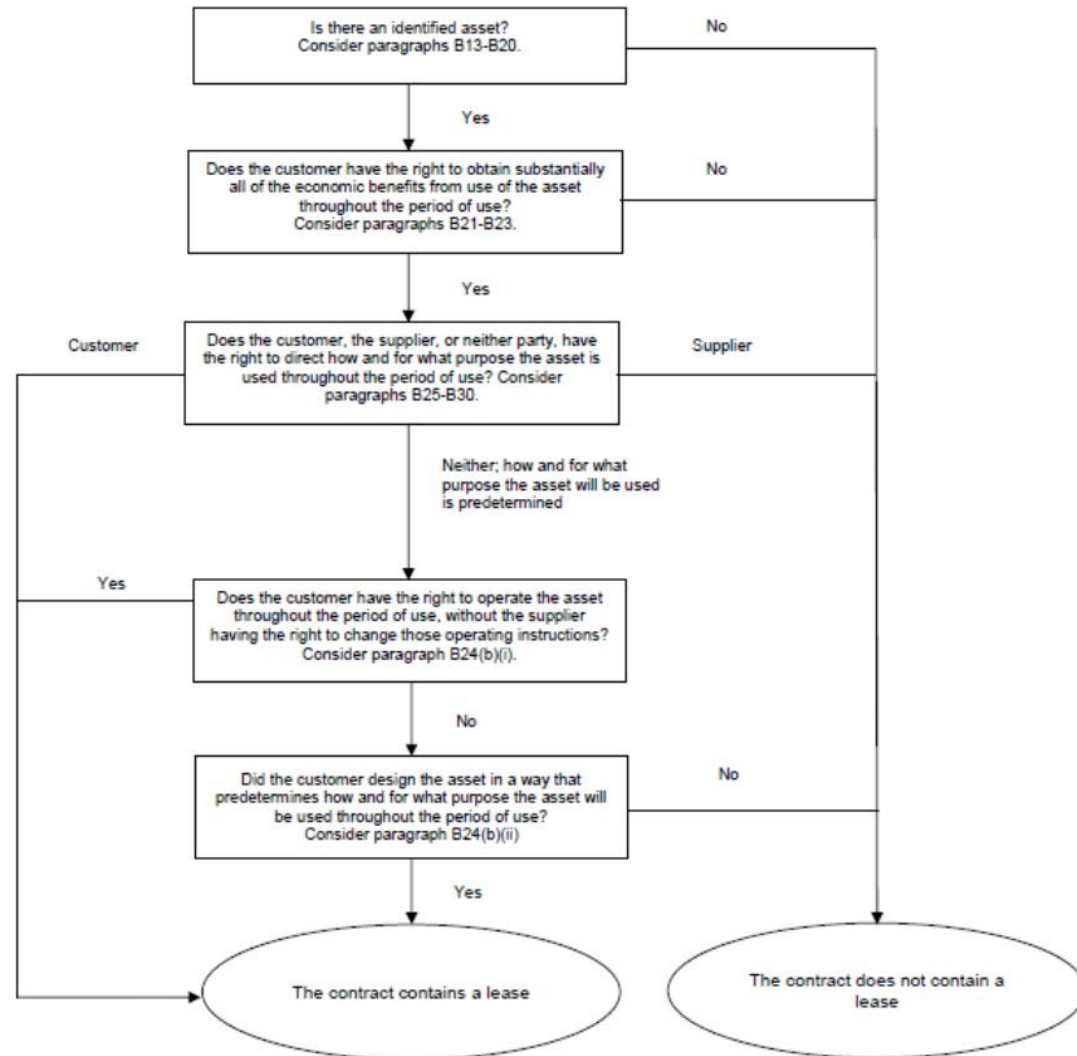
- Grey areas exists and work needs to be done in this area, particularly in relation to contracts involving the receipt of contributions (assets or cash) by Councils

AASB 1058 Income (2019-2020)

- Standard applies to all income that is not capture by AASB 15 Revenue from Contracts with Customers.
- Likely to have a significant impact on Councils in 2 key areas
 - Volunteer services – recognise as revenue/expense if you would have otherwise purchased. Elect to recognise others as part of accounting policy (consistency?)
 - Grants – revenue recognition will depend on nature of grant and in particular whether the grant agreement (contract) places specific, clear performance obligations on Council.
 - If Yes – recognise revenue when performance obligation meet
 - If No – recognise revenue when contribution received

AASB 117 Leases (2019-20)

- A quick recap....



AASB 117 Leases (2019-20)

- **Headline issue** – change to definition of a lease to ‘*a contract or part of a contract, that conveys the right to use an asset*’. This could see the inclusion of asset dependent service contracts (such as waste management) result in new asset leases being recognised.
- **Process challenge** – each existing (at date of transition) operating lease will require the preparation of a details lease schedule.
- **Transition issues**
 - Can elect to not restate comparatives
 - Can elect to apply to new contracts only
 - Low value exemptions available

.....Need for consistency across the sector

AASB 101 Presentation of Financial Statements (update)

- Area of continuing change and streamlining/simplification of the financial statements
- Innovative approaches to Accounting policies
- Realignment of information within the notes
- Significant changes at other levels of government

.....is there an appetite for more change?

AASB 101 Presentation of Financial Statements (update)

Bureau of Meteorology
Notes to and forming part of the Financial Statements
for the period ended 30 June 2015

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AASB 10XY Service Concession Arrangements: Grantors (2019-20)

- Comments on draft standard closed March 2017, anticipated application from 2019-20
- The Standard requires the grantor (council) 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.
- The grantor controls the asset if the grantor controls or regulates the services the operator must provide with the asset, to whom it must provide them and at what price, and if the grantor controls any significant residual interest in the asset at the end of the term of the arrangement
- Likely to impact state government agencies more so than local government but need to be alert to potential issues.

ED 270 Reporting Service Performance Information (2018-19)

- Still an ED so timeline will be challenging
- The ED establishes principles and requirements for an entity to report service performance information
- Service performance information relates to the delivery of goods and/or services with the intention of having a positive impact on society or segments of society.
- The ED requires service performance information to be reported at least annually in relation to:
 - (a) the entity's service performance objectives
 - (b) key outputs, including the inputs used to produce those outputs
 - (c) any outcomes the entity is seeking to influence, and
 - (d) the entity's efficiency and effectiveness in achieving its service performance objectives.
- Grey areas exist but the objective of the standard may be achieved by cross reference to existing performance reporting activities.

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