

Explanatory Statement

Accounting Standard AASB 2022-3

Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15

May 2022



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Standards Amended by AASB 2022-3

This Standard makes amendments to the Australian illustrative examples for not-for-profit entities accompanying AASB 15 *Revenue from Contracts with Customers* (December 2014).

Power to Make Amendments

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. Accordingly, the AASB has the power to amend the Accounting Standards that are made by the AASB as legislative instruments under the *Corporations Act 2001*.

Main Features of AASB 2022-3

Main Requirements

This Standard amends Australian illustrative examples for not-for-profit entities accompanying AASB 15 *Revenue from Contracts with Customers* (December 2014) to illustrate how AASB 15 applies to the recognition and measurement of upfront fees. The amendments do not change the requirements of AASB 15.

Application Date

This Standard applies to annual periods beginning on or after 1 July 2022, with earlier application permitted.

References to Other AASB Standards

References in this Standard to the titles of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.

Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 318 *Illustrative Examples for Income of Not-for-Profit Entities and Right-of-Use Assets arising under Concessionary Leases* in January 2022 for comment by 11 March 2022. The AASB received nine formal comment letters on ED 318.

Most respondents did not support the proposed amendment to Illustrative Example 3 accompanying AASB 1058 *Income of Not-for-Profit Entities*. They indicated the amendments were not desirable at this time and recommended considering any amendments as part of the forthcoming post-implementation review of AASB 1058. The AASB therefore decided to retain Illustrative Example 3 in AASB 1058 without any amendment.

Almost all respondents agreed with the AASB's proposal to retain the accounting policy choice in AASB 16 *Leases* paragraphs Aus25.1-Aus25.2 on an ongoing basis for not-for-profit private sector lessees to elect to initially measure a class of right-of-use assets arising under concessionary leases at cost or at fair value. Some of the respondents disagreed with deferring such a decision in relation to not-for-profit public sector lessees. After considering the feedback, the AASB decided to retain the accounting policy choice on an ongoing basis for not-for-profit private sector lessees and to defer consideration of the accounting policy choice for not-for-profit public sector lessees until the AASB decides on any additional guidance for measuring the fair value of right-of-use assets under concessionary leases.

Amendments to AASB 15

The feedback received indicated that, whilst respondents to ED 318 did not raise concerns with the illustrated application of the recognition and measurement requirements in the proposed amendments to the illustrative examples in AASB 15, some of the respondents suggested that the proposed Illustrative Example 7A is too generic and recommended that any changes be dealt with as part of the forthcoming post-implementation review of the guidance for not-for-profit entities in AASB 15. The AASB considered this feedback and noted that the example is intended to assist not-for-profit entities with limited resources in the application of AASB 15 requirements. The AASB, therefore, decided to add the proposed Illustrative Example 7A to AASB 15, incorporating some editorial improvements suggested by the respondents.

The AASB set an effective date for the amendments of annual periods beginning on or after 1 July 2022, with earlier application permitted.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2022-3 as the amendments made do not have a substantial direct or indirect impact on business or competition.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the
Human Rights (Parliamentary Scrutiny) Act 2011

Accounting Standard AASB 2022-3 *Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15*

Overview of the Accounting Standard

This Standard makes amendments to the Australian illustrative examples for not-for-profit entities accompanying AASB 15 *Revenue from Contracts with Customers* (December 2014) to illustrate how AASB 15 applies to the recognition and measurement of upfront fees. The amendments do not change the requirements of AASB 15.

Human Rights Implications

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

Conclusion

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.