



**Centre for Public Value
UWA Business School**



**THE UNIVERSITY OF
WESTERN AUSTRALIA**

Your responsibilities in financial reporting – Opportunities for positive change

Professor David Gilchrist
Director, Centre for Public Value
UWA Business School



@GilchristDJ
@NFPsUWA



THE UNIVERSITY OF
WESTERN AUSTRALIA

My Agenda

- Context
- AASB's Objectives
- Example Changes Proposed
- Feedback Opportunities



Meeting your responsibilities



THE UNIVERSITY OF
WESTERN AUSTRALIA

- Accountability
- Transparency
- Audit Process Efficiency and Effectiveness
- Comparability

Users



What are the attributes of appropriate accounting standards?



THE UNIVERSITY OF
WESTERN AUSTRALIA

- Meet Users' needs: relevant to decisions being made by Users
- Cost & complexity proportionate to the risk associated with the entity & its activities
- Cost of preparation and presentation outweighed by benefits
- Understandable
- Timely
- Comparability



Accounting Standards Support These Outcomes

What is this about?



THE UNIVERSITY OF
WESTERN AUSTRALIA

Development of Simplified Accounting Requirements (Tier 3 Not-for-Profit Private Sector Entities):

- AASB wishes to respond to concerns re complexity
- Tier 3 Reporting - equates to Medium charities: T/O \$500,000 to \$3m
- AASB refers to these entities as 'smaller NFPs'
- Indications are that AASB will not establish standards for ACNC small entities (i.e. <\$500,000 T/O)
- Preliminary views: AASB will consider responses before deciding if and when to develop a standard exposure draft – further consultation will be undertaken

<https://aasb.gov.au/news/aasb-not-for-profit-in-person-outreach-events-simplified-accounting-requirements-discussion-paper-post-implementation-reviews/>



What is the purpose of the proposed change?



THE UNIVERSITY OF
WESTERN AUSTRALIA

- Simplified reporting
- Reduced cost
- Improved comparability
- Consistent recognition and measurement



For smaller NFP entities





THE UNIVERSITY OF
WESTERN AUSTRALIA

The Discussion Paper proposes...

The changes will be contained in a single standard:

- The standard will specify accounting requirements relevant to circumstances common to smaller NFPs
- The language will be easy to understand
- Guidance, examples, including template financial statements will be included in the standard

Items will also be excluded (e.g. biological and agricultural assets)





THE UNIVERSITY OF
WESTERN AUSTRALIA

The Discussion Paper proposes...

Key issue is to simplify classification, recognition and measurement requirements – proposed changes may:

- Reduce choices available to preparers and/or
- Restate the terminology using less technical English



What is not included?



THE UNIVERSITY OF
WESTERN AUSTRALIA

- Performance reporting standards
- Establishment of reporting thresholds – left to regulators
- Change proposals for Tier 1 and Tier 2 Australian Accounting Standards
- A fourth reporting tier (NFPs with T/O <\$500,000)



Some of the main changes contemplated?



THE UNIVERSITY OF
WESTERN AUSTRALIA

Remember, these are proposed changes identified for people to comment on. They are not definite. There will be further consultation after the findings of this process are known. However, they are intended to provide you with an understanding of the AASB's thinking and a point from which to provide comments back to the board.

Your feedback is essential



Some of the main changes contemplated?



THE UNIVERSITY OF
WESTERN AUSTRALIA

- Consolidation: choice to prepare or not
- Assets acquired at considerably less than fair value: cost or fair value
- Impairment of non-financial assets: carrying amount exceeds recoverable amount
- Leases: all leases remain off-balance sheet and payments recognised on a straight line basis
- Leases: do not recognise right-of-use assets arising from concessionary lease arrangements



Some of the main changes contemplated?



THE UNIVERSITY OF
WESTERN AUSTRALIA

- Income recognition: income is deferred when there is a common understanding that the entity is expected to use the inflows in a particular way – income is recognised when the related outflows occur
- Employee benefits: measured on a non-discounted basis
- Changes in accounting policy/errors: recognised as adjustments in current period with no revision of comparatives
- Borrowing costs: expensed as incurred



Some of the main changes contemplated?



THE UNIVERSITY OF
WESTERN AUSTRALIA

- Financial statements: Statement of Financial Position; Statement of Income and Expenditure; Statement of Cash Flows; notes to the financial statements
- Statement of Changes in Equity: the AASB will consider the requirement for this report once they have considered the feedback regarding its usefulness in the context of NFP reporting
- Fair value measurement: still to be defined and measured per AASB 13 but expressed in terms easier for preparers to follow



Some of the main changes contemplated?



THE UNIVERSITY OF
WESTERN AUSTRALIA

- Valuation of Property, Plant and Equipment: initially at cost and then using the cost model or revaluation model consistent with current measurement requirements
- Volunteer measurement: an accounting policy choice provided fair value can be measured
- Intangible assets: AASB will determine the reporting requirements once feedback is received



Some of the main changes contemplated?



THE UNIVERSITY OF
WESTERN AUSTRALIA

Some other issues:

- Initial measurement of donated non-financial assets: AASB could develop a fit-for-purpose or adopt AASB1060 with simplified language
- Smaller NFPs can “opt up” to Tier 1 or Tier 2
- If a transaction/balance is not dealt with in Tier 3 requirements, apply tier 2
- Review timing: no more than five-yearly



Feedback...



THE UNIVERSITY OF
WESTERN AUSTRALIA

Discussion Paper:

Question 1 Paragraphs 1.3 to 1.8 discuss the Board's view that it should not develop 'reporting thresholds' to specify which reporting Tier that a not-for-profit private sector entity must, at a minimum, comply with in preparing financial statements. Do you agree? Why or why not? If you disagree with the Board's view, how do you propose the Board stratify entities amongst the available reporting tiers?



Feedback...



THE UNIVERSITY OF
WESTERN AUSTRALIA

Survey:

[Development of Simplified Accounting Requirements \(Tier 3 Not-for-Profit Private Sector Entities\) Survey \(surveymonkey.com\)](#)

Snapshot Document:

https://aasb.gov.au/media/ipplnrt0/tier-3-snapshot-document_sep-22.pdf





Australian Nonprofit Accounting Standards Research Program

<https://www.nonprofitaccountingresearch.com/>



@NFPUWA



@Gilchrist DJ
@NFPsUWA

Contact



THE UNIVERSITY OF
WESTERN AUSTRALIA

Professor David Gilchrist



david.gilchrist@uwa.edu.au



@Gilchristdj

<https://www.uwa.edu.au/schools/Research/Centre-for-Public-Value>

