

## Accounting Standards Update & Implementing AASB 15 and AASB 1058

Martin Olde – Technical Director, Nexia Australia

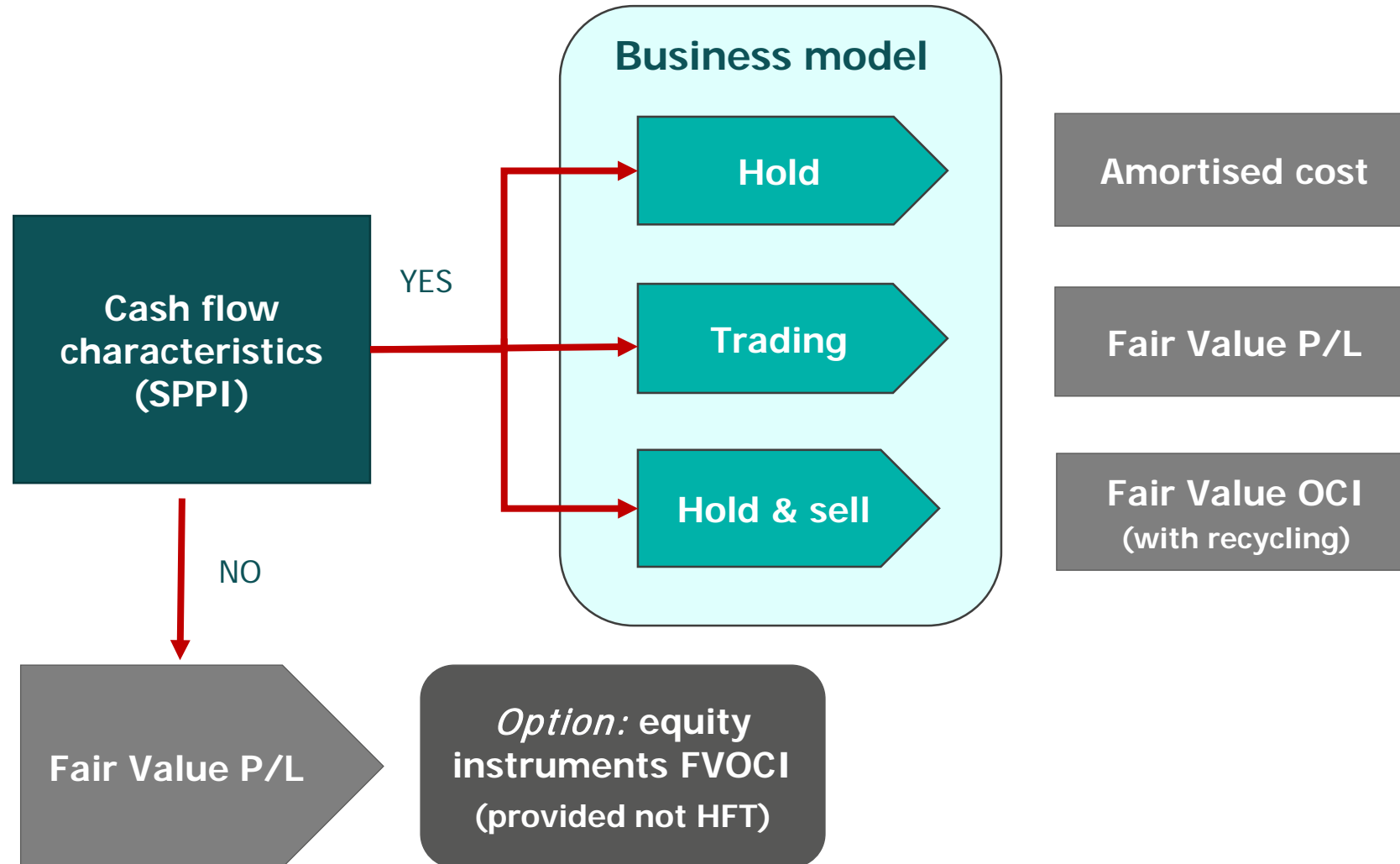
David Wright – Director, Financial Control & Treasury,  
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## Changes Effective for...

		<u>Year end Date</u>
▪ AASB 9	Financial Instruments	31 Dec 2018
▪ AASB 16	Leases	31 Dec 2019
▪ AASB 2017-1	Annual Improvements 2014–2016 Cycle	31 Dec 2019*
▪ AASB 15	Revenue from Contracts with Customers (NFP entities)	31 Dec 2019
▪ AASB 1058	Income of Not-for-Profit Entities	31 Dec 2019
▪ AASB 1059	Service Concession Arrangements: Grantors	31 Dec 2019

# AASB 9 - Financial Asset Classification

## Overview



# Impairment of financial assets

## Expected loss model (AASB 9) vs incurred loss model (AASB 139)

### A. Simplified approach

- Trade receivables (AASB 15) and designated lease receivables
  - Lifetime expected loss

### B. General approach

- Most loans and debt securities
  - Long-term loans
  - Related party loans
- 1) Expected loss from possible default events within 12 months
  - 2) Lifetime expected loss where significant increase in credit risk

# AASB 9

## Experience / Issues

- Simple assets and arrangements unchanged
  - Trade receivables & some equity investments
- Business model test may affect some arrangements
  - Investment portfolios
- Unlisted investments previously at cost need to be fair valued
- Some AFS assets will reclassify to FVPL
- Use of FVOCI option for equity instruments
  - Treasury policy mandates?
- Reassessment of impairment provisions
- Transitional provisions can be complex

# AASB 1059 Service Concession Arrangements: Grantors

- Scope
  - Public sector grantor
  - Operator provides 'public service' on behalf of public sector entity
  - Grantor specifies what services to provide, to whom and at what price
- Does this affect you?
  - Student accommodation?
  - Other arrangements potentially in scope?

# AASB 1059 Service Concession Arrangements: Grantors

## Measurement

### SC Assets

- **Initial recognition – measure at current replacement cost**
  - Includes assets provided by the operator; and
  - Existing assets of the grantor that have been reclassified
- **Subsequent measurement**
  - Relevant standard for depreciation, amortisation and impairment

### Liabilities

- **Initial recognition**
  - Initial amount of SC asset; +/-
  - Amount of any other consideration
- **Nature of liability is dependent on nature of consideration exchanged**
  - Financial liability
  - Unearned income

# AASB Conceptual Framework Project

## The Reporting Entity

### Australia

- SAC 1 is unique to Australia
- Identifies **who** is required to prepare GPFR

*The existence of users who rely on GPFR for making decisions on allocation of resources*

### International

- Legislation sets **who** is required to report
- IFRS sets out **what** to report

*An entity that is required or chooses to prepare [general purpose] financial report.  
Not necessarily a legal entity*

- Applying IASB definition results in GPFR where legislation, constitution or contract requires compliance with Australian Accounting Standards



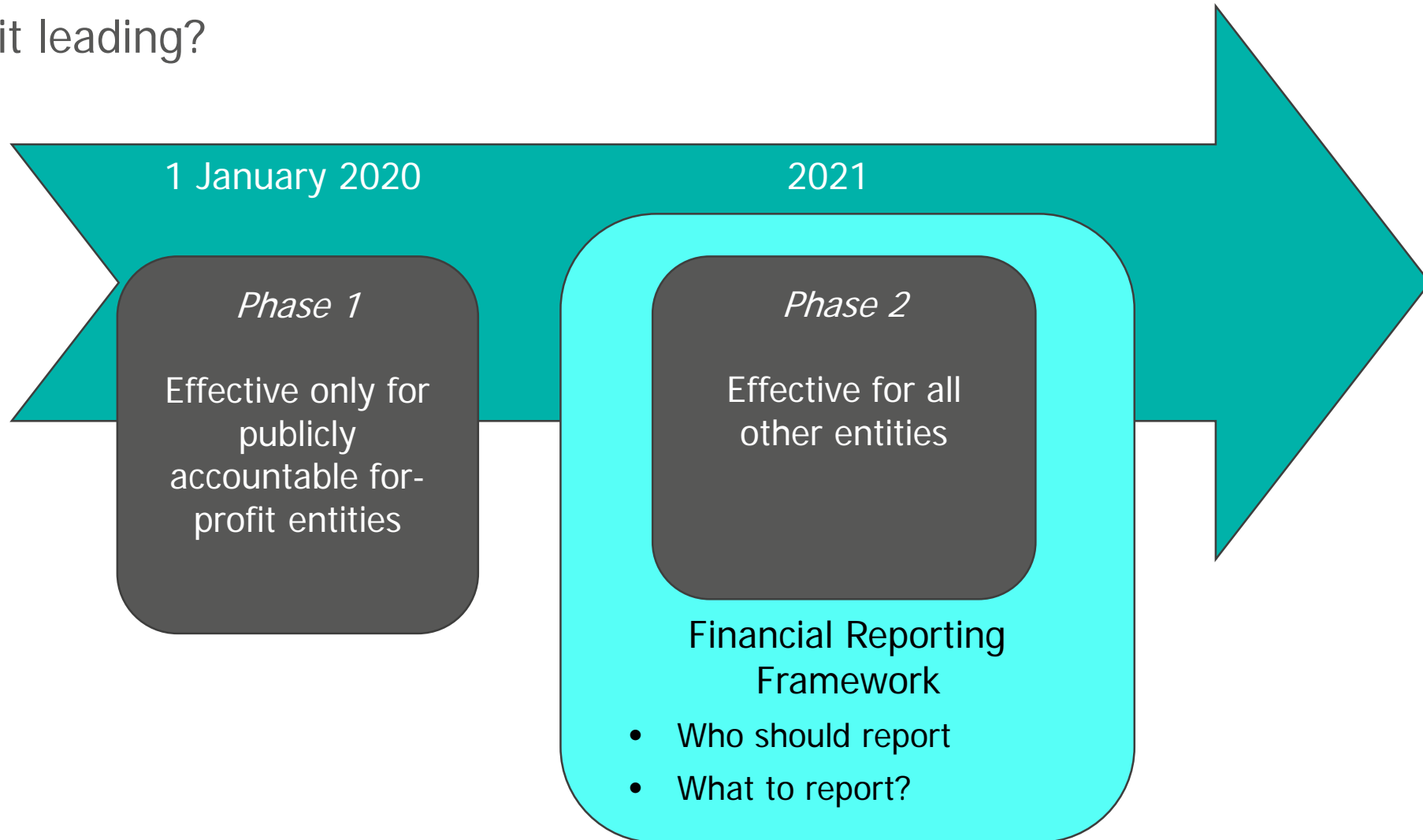
# Financial reporting framework

Where is it leading?

- Proposed 2 tiers of financial reporting:
  1. Full GPFR (current Tier 1); and either
  - 2(a) Existing RDR (current Tier 2) or
  - 2(b) New option based on ASIC RG 85
    - full recognition, measurement, consolidation and equity accounting
    - All disclosures in AASB 101, 107, 108, 1048, 15, 112, 124 & 136

# The Conceptual Framework in Australia

Where is it leading?



## Implementing AASB 15 and 1058 – The USYD experience

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# AASB 15 and AASB 1058

## Classic Business Process Reengineering Project

“Do what you have to but don’t make it harder, more time consuming or expensive for my researchers.”

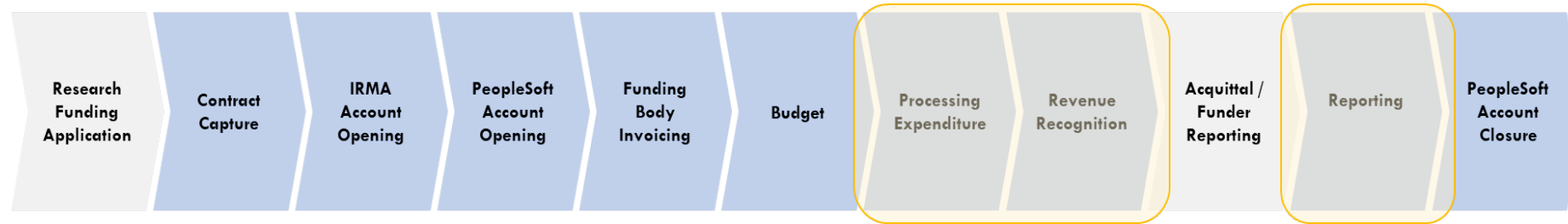
DVC (R) Duncan Ivison

- Identifying terms of arrangements / ease of data collection
  - Single process for data capture/templates/decision trees
  - Single source of truth (IRMA)
  - Capture data once and link systems (IRMA/PeopleSoft/EDW/Hyperion/OBIEE)
  - Provide reporting to CI’s that adds value
  
- Changes to internal systems and processes

# AASB 15 and AASB 1058

## Classic Business Process Reengineering Project

- Changes to internal systems and processes will be significant



- We are working collaboratively with the Research Office to reengineer the business process from Capture to Close
  - Driving improvements in data capture at source
  - Linking IRMA to PeopleSoft
  - Driving invoicing milestones out of the research system
  - Driving significant reporting enhancements

# AASB 15 and AASB 1058

## Classic Business Process Reengineering Project

“Do what you have to but don’t make it harder, more time consuming or expensive for my researchers.”

DVC (R) Duncan Ivison

- Use of input methodologies to drive revenue recognition
  - No milestone reporting overhead for researchers
  
- Risks/Issues
  - Significant operational readiness activity to be carried out
  - Technical risk is manageable
  - One way to do anything – eliminate/reduce Faculty/School practices
  - Needs appetite to be successful
  - 12 months post go-live to ‘bed in’ systems and processes before first year end

Questions

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