

# **Explanatory Statement**

**Accounting Standard AASB 2015-7**

***Amendments to Australian Accounting Standards – Fair Value  
Disclosures of Not-for-Profit Public Sector Entities***

**July 2015**



**Australian Government**

**Australian Accounting  
Standards Board**

# EXPLANATORY STATEMENT

## Reasons for Issuing AASB 2015-7

AASB 2015-7 makes amendments to AASB 13 *Fair Value Measurement* to exempt not-for-profit public sector entities from certain requirements of the Standard.

These amendments arise from the AASB's short-term review of the disclosure requirements in AASB 13 applying to property, plant and equipment measured at fair value and categorised within Level 3 of the fair value hierarchy. Following that review, the AASB decided to provide relief for not-for-profit public sector entities from making certain specified disclosures about the fair value measurement of assets within the scope of AASB 116 *Property, Plant and Equipment* which are primarily held for their current service potential rather than to generate future net cash inflows. The relief is temporary pending the outcome of related current Board projects, including the review of the Reduced Disclosure Regime (Tier 2), Australian Reporting Framework, and Conceptual Framework.

## Main Features of AASB 2015-7

### Main Requirements

AASB 2015-7 relieves not-for-profit public sector entities from the following disclosures specified in AASB 13 for assets within the scope of AASB 116 that are held primarily for their current service potential rather than to generate future net cash inflows:

- (a) for recurring and non-recurring fair value measurements categorised within Level 3 of the fair value hierarchy, quantitative information about the significant unobservable inputs used in the fair value measurement;
- (b) for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the amount of the total gains and losses for the period included in profit or loss that is attributable to the change in unrealised gains or losses relating to the assets held at the end of the reporting period, and the line item(s) in profit or loss in which those unrealised gains or losses are recognised; and
- (c) for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. Where there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, the disclosure of a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement will also not be required.

### Application Date

AASB 2015-7 applies to annual reporting periods beginning on or after 1 July 2016. Early application is permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 July 2016.

### Reduced Disclosure Requirements

The amendments to AASB 13 do not affect the reduced disclosure requirements presently set out in AASB 13. Accordingly, the reduced disclosure requirements set out in AASB 13 that apply to Tier 2 not-for-profit public sector entities are the same as those applying to other Tier 2 entities.

## Consultation Prior to Issuing this Standard

The Board issued Exposure Draft ED 262 *Fair Value Disclosures of Not-for-Profit Public Sector Entities* for adverse comment in May 2015. The Board considered that an adverse comment ED would be sufficient due process having regard to the feedback already received during its initial outreach activity. The comment period closed on 4 June 2015.

The AASB received one comment letter in respect of the proposals in ED 262. After consideration of constituent comments, the Board decided to proceed with its proposals to make amendments to AASB 13, and issued AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2015-7 as the amendments made do not have a substantial direct or indirect impact on business or competition, or are of a minor or machinery nature.

# Statement of Compatibility with Human Rights

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

## **Accounting Standard AASB 2015-7** ***Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities***

### **Overview of the Accounting Standard**

AASB 2015-7 makes amendments to AASB 13 *Fair Value Measurement* to exempt not-for-profit public sector entities from certain requirements of the Standard.

AASB 2015-7 relieves not-for-profit public sector entities from the following disclosures specified in AASB 13 for assets within the scope of AASB 116 that are held primarily for their current service potential rather than to generate future net cash inflows:

- (a) for recurring and non-recurring fair value measurements categorised within Level 3 of the fair value hierarchy, quantitative information about the significant unobservable inputs used in the fair value measurement;
- (b) for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the amount of the total gains and losses for the period included in profit or loss that is attributable to the change in unrealised gains or losses relating to the assets held at the end of the reporting period, and the line item(s) in profit or loss in which those unrealised gains or losses are recognised; and
- (c) for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. Where there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, the disclosure of a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement will also not be required.

### **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*.