

Research grant deferral for NFPs

Reporting Update

29 November 2019, 19RU-016



NFP revenue standards deferred for research grants for 31 December 2019 year ends

No deferral for 30 June 2020 year ends

Further education to be provided

Highlights

- What is being deferred?
- Why the deferral?
- Practical considerations
- Further resources for applying AASB 15 and AASB 1058

What is being deferred?

At its November 2019 board meeting, the Australian Accounting Standards Board (AASB) decided to defer the application of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* to **research grants** for all not-for-profit (NFP) entities to 1 July 2019, with earlier application permitted.

NFPs are required to apply the new revenue and income standards, AASB 15 and AASB 1058, for financial years beginning on or after 1 January 2019.

This deferral means that NFP entities having a 31 December 2019 financial year end will not apply AASB 15 and AASB 1058 to **research grants**. NFPs will still need to apply the standards to other relevant arrangements for 31 December 2019. An NFP can elect to early adopt the standards to research grants.

It is expected that entities with 30 June year ends will be required to apply the standards to all transactions and arrangements in their 30 June 2020 financial statements.

Expected timing of the amending standard

The amending standard is expected to be issued by the end of the year.

Why the deferral?

There are continuing divergent views on revenue recognition for research grants by NFP entities. The deferral has been provided to allow time for further education to address this issue.

There is no intention to change the standards. This is evidenced by the AASB deciding, in the same November 2019 meeting, to proceed with the amendments to the illustrative examples (Examples 4A and 4B) proposed in the Fatal-Flaw Review draft, and to add Example 4D (previously Scenario 2A in the Staff FAQs) to illustrate additional contract features to help entities in implementing AASB 15.

No definition of “research grant”

Continue to apply existing accounting policies

Access our resources to assist in your implementation

Practical considerations

How is research grant defined?

We understand that no definition of “research grants” will be provided. There will therefore be judgement around arrangements that this deferral will apply.

“We recommend entities be transparent in disclosing how it identifies and assesses the research grant arrangements to which they apply this deferral.”

Kim Heng
Partner

What accounting policies should be applied?

Where an NFP does not apply the requirements of AASB 15 and AASB 1058 to **research grants** it will continue to apply AASB 1004 *Contributions* or AASB 118 *Revenue*, depending on whether the research grant is reciprocal or non-reciprocal in nature. That is, it will continue to apply its existing accounting policies for research grants.

Further resources for applying AASB 15 and AASB 1058

- [Not-for-profit income: Completed contracts can reduce the transition burden](#)
- [First step of assessing not-for-profit income](#) – Enforceability
- [Sufficiently specific performance obligations for not-for-profits](#)
- [Not-for-profit income: How should revenue be recognised over time?](#)
- [AASB 15: Revenue](#)

The AASB is presenting a [webinar](#) on accounting for research grants on Wednesday 4 December from 3-4pm, to clarify the deferral and to assist NFP entities to understand the requirements for research grants.

19RU-016 Research grant deferral for NFPs

The information contained in this document is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever, as advice and is not intended to influence a person in making a decision, including, if applicable, in relation to any financial product or an interest in a financial product. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.