Australian Government
Australian Accounting Standards Board

Minutes

Subject:	Minutes of the 127th meeting of the AASB
Venue:	Ken Spencer Room, AASB offices Level 7, 600 Bourke St, Melbourne
Time(s):	Wednesday 31 October 2012 from 9.00 a.m. to 5.30 p.m. Thursday 1 November 2012 from 8.30 a.m. to 10.45 a.m.

All agenda items except items 1 and 6 were discussed in public.

Attendance

Members	Kevin Stevenson (Chairman) Ian McPhee (Deputy Chair) Victor Clarke Anna Crawford Michelle Embling Sue Highland John O'Grady Liane Papaelias Carmen Ridley Brett Rix Robert Williams
Apologies	Kris Peach (Deputy Chair) Jayne Godfrey Roger Sexton
In Attendance: Staff	Clark Anstis (in part) Natalie Batsakis (in part) Peter Batten Nikole Gyles (in part) Ahmad Hamidi Ravari (in part) Robert Keys Sue Lightfoot (in part) Masha Marchev (in part) Christina Ng (in part) Shu In Oei (in part) Julie Smith Angus Thomson (in part, by phone) Daisy Yang (in part)

Agenda, Declaration of Interests and Chairman's Report

Agenda Item 1

Declarations of Interest

Members indicated that, in the normal course of their day-to-day professional responsibilities, they deal with a broad range of financial reporting issues. Members have adopted the standing policy in respect of declarations of interest that a specific declaration will be made where there is a particular interest in an issue before the Board. No declarations were made.

Chairman's Report

International Forum of Accounting Standard Setters (IFASS)

The Chairman noted that he and the Technical Director attended the IFASS meeting held in Zurich on 22 and 23 October. He reported that:

(a) a significant matter discussed was the IASB's proposals for a technical forum. The forum would comprise twelve members drawn from national standard-setters in the Americas, Europe, Asia-Oceania and Africa, including two members from the "world at large". He advised that the forum is aimed at involving national standard-setters earlier in the due process and is a significant change. He expects three members would come from Asia-Oceania; and

(b) the Technical Director presented the results of its research into the initial accounting for intangible assets acquired within a business combination.

Asian-Oceanian Standard-Setters Group (AOSSG)

The Chairman noted that:

(a) he and the Technical Director together with fourteen other AOSSG members participated in an informal meeting of AOSSG on 24 October. As Australia is the leader of the financial instruments sub-committee he presented an update on the IASB's financial instruments project; and

(b) the fourth annual meeting of AOSSG is to be held in Kathmandu, Nepal on 28-29 November. He and AASB staff will attend and present further updates on the financial instruments project.

World Standard Setters (WSS)

The Chairman noted that:

(a) he and the Technical Director attended the two day meeting of the WSS held on 25 and 26 October in London; and

(b) the programme included updates on the IASB's future agenda, post implementation reviews of IFRS 3 *Business Combinations* and IFRS 8 *Operating Segments* and interesting smaller group discussions that included the IASB's proposed disclosure framework.

Financial Reporting Council (FRC)

The Chairman noted that the FRC will consider a AASB report on GAAP/GFS harmonisation (see tabled Agenda paper 3.12) at its meeting on 5 December.

Treasury – Australian Charities and Not-For-Profits Commission (ACNC)

The ACNC will be an independent statutory office established to provide regulatory oversight and support for the NFP sector.

The Technical Director noted that:

(a) ACNC is expected to commence operations within the next few weeks; and

(b) the expectation is that the AASB will be asked to work with the ACNC in developing requirements for non-reporting entities, and that the requirements for consolidations may differ from the requirements in Australian Accounting Standards.

Involvement with Other Bodies

The Chairman noted that AASB staff:

(a) met with the Australian Bureau of Statistics to continue its review of the manual of Government Finance Statistics Manual;

(b) hosted a delegation of Chinese practitioners from the Institute of Professional Accountants;

(c) hosted a discussion forum concerning the IFRS 8 *Operating Segments* post implementation review. The IASB was represented by April Pittman; and

(d) hosted an Iraqi public sector delegation where the main item for discussion was service concession arrangements.

Other

The Chairman noted staff presentations and recent and forthcoming staff movements and achievements. In particular he farewelled the outgoing Board Secretary Peter Batten and thanked him for his significant contribution to the AASB and the accounting profession. In turn, he welcomed the new Board Secretary Julie Smith.

Apologies, Minutes and Approvals Out of Session

Agenda Item 2

Apologies

Apologies were noted for both days of the meeting for Jayne Godfrey, Kris Peach and Roger Sexton.

Minutes

The Board approved the minutes of the one hundred and twenty-sixth meeting held on 5-6 September 2012. There were no matters arising not otherwise addressed in the agenda.

Approvals Out of Session

The Board had before it a Voting Summary (Board only) (agenda paper 2.2, tabled). The Board noted its approval of the following consultation documents:

- *ED 227 Proposed Amendments to AASB 1049 – Extension of Transitional Relief for the Adoption of Amendments to the ABS GFS Manual relating to Defence Weapons Platforms*;
- AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures*; and
- AASB 2012-7 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*.

No consultation documents had been issued under the Board's delegated authority for the Chairman to issue IASB consultation documents where there is no significant additional Australian material.

Other Business

Agenda Item 3

The Board noted:

(a) a memorandum from Julie Smith, Peter Batten and Robert Keys dated 16 October 2012 re: AASB Work Program (agenda paper 3.1);

(b) summary of AASB Work Program (October 2012) (agenda paper 3.1.1);

(c) detailed AASB Work Program (October 2012) (agenda paper 3.1.2);

(d) Consultation Submissions Pipeline Report (16 October 2012) [Board only] (agenda paper 3.1.3);

(e) AASB Sub-committee membership listing as at 30 September 2012 [Board only] (agenda paper 3.2);

(f) letter from the AASB Chairman and CEO to IASB Chairman dated 17 September 2012 re *Conceptual Framework – Restarting the Project: Omission of Not-for-Profit Entities* (agenda paper 3.3);

(g) letter from AASB Chairman and CEO to IFRS Interpretations Committee Chairman dated 1 October 2012 re: Draft IFRIC Interpretation D1/2012/2 *Put Options Written on Non-Controlling Interests* (agenda paper 3.4);

(h) submissions 1-3 IFRIC Interpretation D1/2012/2 *Put Options Written on Non-Controlling Interests* (agenda paper 3.4.1);

(i) IFRS Advisory Council Meeting, London 22-23 October 2012 re: Summary of the discussions at the June 2012 Council meeting on external involvement in the IASB standard-setting process (agenda paper 3.5);

(j) FRC *Media Release 2012/02 –3 October 2012* re: Managing Complexity in Financial Reporting, Findings from the consultation process (agenda paper 3.6);

(k) Memorandum from Jim Paul dated 9 October 2012 re: Conceptual Framework consultation papers (agenda paper 3.7);

(l) Memorandum from Sue Lightfoot dated 16 October 2012 re ASX Consultation Paper Proposed New Reporting Rules for Mining and Oil and Gas Entities (agenda paper 3.8);

(m) Memorandum from Sue Lightfoot dated 15 October 2012 re research into the Initial Accounting for Intangible Assets Acquired in a Business Combination – Presentation to IFASS (agenda paper 3.9);

(n) IFASS October 2012 Agenda Paper 8.1 on Results of AASB Intangible Assets Research (agenda paper 3.9.1);

(o) AASB Communications Report dated October 2012 [Board only] (agenda paper 3.10);

(p) ASX Consultation on new draft Guidance Note on continuous disclosure (Tabled paper 3.11); and

(q) Report on the AASB's GAAP/GFS Harmonisation Project (Tabled paper 3.12).

Michele Embling briefly advised the Board on recent New Zealand legislative and accounting developments concerning the Reduced Disclosure Regime, and items included on the agenda of the forthcoming NZASB meeting.

IFRS Interpretations Committee

Agenda Item 4

The Board had before it:

(a) a memorandum re Interpretations from Nikole Gyles and Julie Smith dated 16 October 2012(agenda paper 4.1);

(b) an AASB Staff Summary of IFRS Interpretations Committee decisions (agenda paper 4.2); and

(c) IFRIC Update September 2012 (agenda paper 4.3).

Staff provided the Board with an update on the decisions (both tentative and final) made by the IFRS Interpretations Committee at its September meeting, and discussions of the Committee at that meeting. Some Board members expressed some concerns with the direction of the Committee's discussions in relation to accounting for reverse acquisitions of an entity that does not constitute a business and accounting for a structure that appears to lack the physical characteristics of a building. In particular, some Board members were concerned that:

(a) the issue of accounting for reverse acquisitions of an entity that does not constitute a business is pervasive and that diversity exists in practice in accounting for such transactions, and thus questioned whether the issue could be adequately dealt with as a rejection notice, or whether it should be in the form of an Annual Improvement; and

(b) changes to the scope of IAS 40 *Investment Property* would be so pervasive as to be outside the scope of an Annual Improvement and would be more appropriately dealt with by the IASB.

However, the Board decided there were no issues that ought to be raised with the Committee at this stage.

Possible Emerging Issue

Agenda Item 5

The Board had before it a memorandum from Sue Lightfoot dated 16 October 2012 in the form of an Issues Paper on possible amendments to AASB 1038 *Life Insurance Contracts* (agenda paper 5.1);

The Board considered two issues relating to AASB 1038 *Life Insurance Contracts*: first, whether AASB 1038 might need to be amended for the revised consolidation requirements in AASB 10 *Consolidated Financial Statements*; and second, whether the terminology in AASB 1038 might need to be amended to align with forthcoming changes to prudential regulations regarding capital adequacy. The Board decided that:

(a) in relation to the first issue staff should seek evidence to determine whether, in practice, there are cases where it is considered to be unclear whether IFRS 10 would require consolidation of policyholders' interests by a life insurer, with a view to determining whether the outcome under IFRS 10 would differ from that under AASB 1038;

(b) after acknowledging that AASB 1038 was not the logical place to cover consolidation issues and depending on the implications of IFRS 10 for consolidation of policyholders' interests by a life insurer (see (a) above) and the timing of the IASB's Insurance project, consideration should be given to amending AASB 1038 by excising the consolidation wording. Staff will consider what edits would be needed; and

(c) in relation to the second issue staff should seek confirmation from industry participants that the proposed amendments to the terminology in AASB 1038 are appropriate. Subject to that confirmation, the Board decided that AASB 1038 should be amended, with an application date aligned to the application date of the forthcoming changes to prudential regulations. No further due process would be required. The Board noted that because although similar disclosures are not currently required by AASB 1023 General Insurance Contracts (although they are required by other regulatory reporting requirements) there is no current need to amend AASB 1023 in respect of the changes in terminology.

Action: Staff

No other new emerging issues were identified by Board members, although it was noted that questions about the appropriateness of the discount rate requirements in paragraphs 78 and Aus 78.1 of AASB 119 *Employee Benefits* continue to be raised.

Review

Agenda Item 6

The Board had before it agenda paper 6.1 AASB Strategic Plan 2012 to 2016 – Cumulative Progress Report, as at October 2012. The Board noted the format of the report and the intention that it be presented on a cumulative basis at future Board meetings.

Investment Entities

Agenda Item 7

The Board had before it:

(a) a memorandum from Natalie Batsakis and Angus Thomson dated 16 October 2012 (Agenda Paper 7.1);

(b) staff paper: Disclosures required for entities that adopt the investment entity amendments (Agenda Paper 7.2);

(c) staff paper: Impact on public sector entities that may be defined as investment entities (Agenda Paper 7.3); and

(d) staff paper: Approaches available to the AASB for addressing investment entity amendments (Agenda Paper 7.4).

The Board noted:

(a) the sweep issues discussed by the IASB at its October 2012 meeting;

(b) the types of public sector entities that may be affected by the investment entity amendments (as a follow up to its September 2012 meeting consideration of private sector entities that might be affected); and

(c) the types of disclosures that would be required for investment entities under the amendments.

The Board considered the approach it should take to the investment entity amendments to IFRS in the Australian context.

The discussion focussed on the views of Board members in respect of the various options provided in agenda paper 7.4, the staff analysis of those options and the staff recommendation. In considering the main options listed by staff, Board members had mixed views. Some Board members continued to express a concern that the forthcoming amendments go against the fundamental accounting principle of control and that exceptions should not be adopted for particular business models/industries, whereas some members consider IFRS compliance to be of utmost importance, and expressed support for issuing the investment entity amendments.

Additionally, the Board noted that the proposed disclosures for an investment entity required by the IASB provide information about the exception to consolidation rather than addressing the loss of consolidation information that preparing a full set of consolidated set of financial statements provides. Most Board members expressed a concern about the impact the loss of consolidation information would have on decision making.

The Board decided against issuing the investment entity amendments in two steps (that is, issue the IASB amendments now, and issue additional Australian specific note disclosures at a later date). The Board tentatively decided to delay adoption of the amendments until after it undertakes due process through an ED proposing additional note disclosures designed to compensate for the loss of consolidation information.

The majority of members agreed that issuing the amendments with additional note disclosures is a reasonable compromise to achieving IFRS compliance whilst containing the potential harm to decision making arising from not consolidating subsidiaries of investment entities. In relation to the level of compensating disclosures, the Board tentatively decided that the ED should propose disclosure of the three primary financial statements that would be produced under full consolidation. The ED would seek input from constituents as to how those disclosures might be reduced without losing relevant information.

The Board directed staff to proceed with drafting an ED that clearly sets out the disclosures that would be required of investment entities under IFRS and the additional note disclosures that would be proposed by the AASB. The Board's aim is to issue the ED before the end of this calendar year.

Action: staff	Prepare draft ED for consideration at the December 2012 meeting

Superannuation Entities

Agenda Item 8

The Board had before it:

(a) a memorandum from Angus Thomson and Daisy Yang dated 16 October 2012 (agenda paper 8.1);

(b) staff paper: Measurement of accrued benefit liabilities by superannuation entities (agenda paper 8.2);

(c) staff paper: Disclosures about accrued benefit liabilities by superannuation entities (agenda paper 8.3); and

(d) staff paper: Key issues on public sector defined benefit superannuation arrangements (agenda paper 8.4).

The Board continued its discussion of issues connected with developing a replacement standard for AAS 25 *Financial Reporting by Superannuation Plans*.

The Board confirmed its earlier decision that both defined contribution and defined benefit member benefit liabilities should be measured as the amount of accrued benefits.

In relation to the measurement of accrued defined contribution liabilities of superannuation entities, the Board noted this means that any amounts held in reserves that must be allocated to member accounts at some stage would be classified as liabilities, not equity.

Measurement of accrued defined benefit liabilities

The Board tentatively decided accrued defined benefit liabilities should be measured as the amount that would be needed at the reporting date to meet accrued benefits when they are expected to fall due on the basis of the risks specific to the liability, including member demographic risks and the investment returns relevant to fulfilling benefit outflows. In this context, the Board noted that:

(a) the amount relates to the members/beneficiaries the superannuation entity has at the reporting date in respect of members' service to that date;

(b) it is assumed the accrued benefits will be fulfilled and, accordingly, there is no adjustment for credit risk;

(c) no reference is made to a notion of settlement/transfer and, accordingly, there is no basis for including a margin in the liability relating to any inherent risk that the assumptions used in measuring the liability might be wrong;

(d) the expected cash outflows take into account the timing and probabilities attaching to various factors that reflect the characteristics of the members/beneficiaries (including: expected mortality; rates of member turnover, disability, and early retirement; salaries and rates of salary adjustment);

(e) the accrued benefit liability measure is an expected present value determined as the expected cash outflows discounted by a rate that reflects the returns on an investment portfolio that would be expected to generate cash inflows that would meet accrued benefit cash outflows when they are expected to fall due;

(f) the relevant investment portfolio [noted in (e)] reflects the opportunities available in investment markets and not necessarily the actual assets held by the superannuation entity to meet accrued defined benefit liabilities and, accordingly, the discount rate is not dependent on whether the benefits are fully funded, under/over funded or completely unfunded. However, the Board also noted that it would expect there to be a strong relationship between the investment portfolio [noted in (e)] and, where relevant, the superannuation entity's investment strategy in respect of the defined benefit members;

(g) the discount rate would exclude risks incorporated in the expected cash flows (so, no double-counting of the impacts of risks);

(h) when actual experience differs from estimates and due to the impact of changes in expectations, the resulting movements in liabilities would be presented in the statement of changes in member benefits; and

(i) the Basis for Conclusions to the replacement standard for AAS 25 could usefully note the application of materiality in measuring accrued defined benefit liabilities and that, in some circumstances, vested benefit calculations and defined benefit liabilities measured for the purposes of formulating funding plans might be materially the same as the amount of accrued defined benefit liabilities required by the replacement standard for AAS 25; even though those other measures have different purposes from general purpose financial reporting.

In relation to (e) above, the Board discussed the alternative view that a risk-free rate representing only the time value of money should be applied to present value expected cash outflows. The Board noted that, although arguably facilitating comparability among entities, this would tend to result in overstated accrued defined benefit liabilities and give rise to up-front deficits that would later reverse.

Disclosures about accrued benefit liabilities of superannuation entities

The Board tentatively decided it should identify disclosure principles in relation to funding risks, liquidity risks and market risks (where relevant, using the principles underlying related requirements in other Standards). In this context, the Board noted that:

(a) in relation to accrued defined contribution liabilities, the disclosure principles in AASB 7 *Financial Instruments*: Disclosures would be relevant;

(b) in relation to accrued defined benefit liabilities, most of the disclosure principles in AASB 7 are not readily applicable, and the replacement standard for AAS 25 should set out disclosure principles and related guidance on explaining the quantitative and/or qualitative information that would be useful, including:

(c) how any funding deficit is expected to be met – the Board acknowledged that the trustees' role is to provide the facts and not make disclosures explicitly about the credit-worthiness of employer sponsors;

(d) the basis for assumptions and manner in which they are determined; and

(e) the sensitivity of the liabilities to changes in key assumptions.

Key public sector issues are identified in agenda paper 8.4

The Board agreed that the source of funds in relation to a legislative guarantee (whether a designated pool of assets outside the superannuation entity or future government revenue) is not a distinguishing factor for accounting purposes. The Board tentatively decided that:

(a) legislative guarantees of future contributions to meet accrued defined benefit liabilities do not fall within the scopes of any specific standards; and

(b) in the context of the hierarchy (in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*) used to determine accounting policies in the absence of a specifically applicable standard, legislative guarantees should be accounted for, by analogy, as financial assets under relevant financial instruments Standards.

(c) The Board noted that it plans to consider these issues further after staff have undertaken additional targeted consultation.

Action: staff

Financial Instruments

Agenda Item 9

The Board had before it:

(a) a memorandum from Christina Ng and Sue Lightfoot dated 16 October 2012 re financial instruments project update (agenda paper 9.1);

(b) IASB draft IFRS: General Hedge Accounting (agenda paper 9.2);

(c) Australian Financial Review article dated 26 September 2012, *Companies keen for earlier embrace of hedge rules* (agenda paper 9.3);

(d) slides on general hedge accounting (tabled agenda paper 9.4); and

(e) slides on financial instruments impairment (tabled agenda paper 9.5).

Staff provided the Board with an update on the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* with IFRS 9 *Financial Instruments*. In particular, the Board noted the following:

(a) the IASB's exposure draft on Limited Amendments to IFRS 9 is expected in Q4 2012. The ED is expected to propose:

   (i) introducing a fair-value-through-other-comprehensive-income category for debt instruments;

   (ii) modifying the contractual cash flows test in IFRS 9; and

   (iii) permitting the 'own credit risk' requirements (for financial liabilities measured at fair value through profit or loss) to be applied early without the need to apply early the requirements of IFRS 9 relating to financial assets;

(b) the IASB staff findings from their outreach activities regarding whether the three-stage impairment model would be operational and which of the three-stage model and a day-one lifetime loss model would provide the more useful information. One key message received from the outreach activities included:

   (i) the majority of respondents would appreciate an impairment model that distinguishes assets that have deteriorated from those that have not, but, only if the benefits of this information outweigh the cost of obtaining it; and

   (ii) the need to clarify the criteria for recognising lifetime losses, particularly what is meant by the "more than insignificant deterioration in credit quality" and when it is considered "reasonably possible that contractual cash flows will not be paid in full".

The IASB aims to issue a revised exposure draft by the end of 2012; and

(c) the IASB had aimed to issue IFRS 9 including general hedge accounting requirements by the end of 2012. (However, since the Board's discussion staff now understand that such timing is highly unlikely – feedback on the IASB''s review draft of the general hedge accounting standard, which is currently available for information on the IASB's website, is expected to be discussed by the IASB at its January 2013 meeting.)

Staff provided the Board with an overview of the significant changes in the abovementioned draft of the general hedge accounting standard compared with existing requirements in IAS 39 and IASB ED/2010/13 *Hedge Accounting*. Staff highlighted a concern which had been identified by constituents relating to measuring hedge effectiveness in paragraph B6.5.5 of the draft. B6.5.5 requires that when a hypothetical derivative is used to calculate the change in the fair value of the hedged item, it cannot include features in the value of the hedged item that only exist in the hedging instrument (but not the hedged item.) The Board noted that when using hedge accounting for a cross-currency swap hedging a currency exposure ineffectiveness could arise due to 'basis risk' in the swap which is not present in the exposure. Furthermore, the requirements for achieving hedge accounting for such swaps may be therefore be more onerous than if the hypothetical derivative could be assumed to be the same as the actual hedging instrument. The Board decided not to comment to the IASB at this stage – staff should continue to monitor the issue.

The Board tentatively decided that, consistent with the approach expected to be adopted by the IASB:

(a) subject to the AASB agreeing to adopt the general hedge accounting requirements, a version of AASB 9 *Financial Instruments* that incorporates the requirements for general hedge accounting should be made available for early application; and

(b) AASB 9 (2009) and AASB 9 (2010) should continue to be available for early application to first-time AASB 9 adopters, consistent with the IASB's early application provisions of IFRS 9.

The Board noted that the IASB has continued to discuss macro hedge accounting but has not yet made any decisions on the topic.

The Board decided there were no issues that ought to be raised with the IASB on these matters at this stage.

Action: Staff

ASIC Consultation Paper 187 Effective disclosure in an operating and financial review

Agenda Item 12

The Board had before it:

(a) a memorandum from Robert Keys dated 16 October 2012 (agenda paper 12.1); and

(b) ASIC Consultation Paper 187 Effective disclosure in an operating and financial review (agenda paper 12.2).

The Board decided to make a generally supportive submission on the ASIC Consultation paper and particularly:

(a) encourage ASIC to consider the existing guidance in the G100's *Guide to Review of Operations and Financial Condition* and the IASB's IFRS Practice Statement *Management* Commentary, with a view to removing duplication and inconsistencies across what would otherwise become three documents providing guidance on similar matters. Given the Australian Securities Exchange (ASX) has endorsed the G100 documents, consideration should also be given to liaising with the ASX in finalising the guidance. If after efforts to rationalise the guidance separate guidance is retained, the reasons for that decision should be provided; and

(b) support the CP's comments about integrated reporting in relation to proposal C9 (on page 16) that guidance should not be included in the Regulatory Guide. The AASB particularly supports the comment in paragraph 49 that further due process would be needed before any decision is made in respect of incorporating integrated reporting notions into ASIC guidance. In terms of integrated reporting and its relationship to financial reporting, ASIC should be referred to the FRC paper that positions the FRC relative to integrated reporting.

The submission should be finalised out of session through the Chairman.

Action: Staff
Chairman

IFRS 8 Operating Segments – post implementation review

Agenda Item 13

The Board had before it:

(a) a memorandum from Daisy Yang and Ahmad Hamidi dated 16 October 2012 (agenda paper 13.1);

(b) Issues paper 'Possible Issues relevant to the AASB Submission to the IASB on the Post-implementation Review of IFRS 8 *Operating Segments* (agenda paper 13.2);

(c) Summary of Comments by Participants at the IASB Discussion Forum on the Post-implementation Review of IFRS 8 hosted by the AASB (agenda paper 13.3); and

(d) Comment letters received on AASB ITC 27 Request for Comment on IASB Request for Information on Post-implementation Review: IFRS 8 *Operating Segments* (agenda paper 13.4)

In July 2012, the AASB issued Invitation to Comment ITC 27 seeking comments on the IASB's Request for Information on Post-implementation Review: IFRS 8 Operating Segments. The AASB also hosted an IASB discussion forum on the Request for Information (RFI) on 3 October 2012.

The Board considered comments received from constituents and the issues that could form the basis of its submission to the IASB. The Board decided that its submission should include comments that:

(a) describe the effect of IFRS 8 on segment reporting by Australian entities, in particular drawing on the results of a recent study that considers whether IFRS 8 has led to an increase in segment disclosure by Australian listed entities;

(b) the notion of identifying segments by reference to the review of information by the Chief Operating Decision Maker would be better expressed as a principle focusing on how an entity's business is organised and managed segmentally;

(c) there is a concern in Australia that the entity-wide disclosure requirements in IFRS 8 are overlooked due to a perceived lack of relevance in the segment reporting context, and the IASB is encouraged to review those requirements with a view to improving their application possibly in the context of the entity-wide disclosure requirements of other Standards within a more broadly based disclosure framework; and

(d) note the perceived tension between the requirements of IAS 36 *Impairment of Assets* and IFRS 8. The Board noted that some constituents had expressed a concern that the IAS 36 requirement for the level at which goodwill should be assessed could inappropriately affect the judgement made under IFRS 8 about the level of disaggregation. The Board noted that this concern may have arisen from a confusion about the segment that should act as a cap on the size of the cash generating unit (or group of cash generating units) for goodwill allocation purposes, which is the operating segment (before aggregation) rather than the reportable segment. The Board expressed the view that the IASB should be informed of this perceived concern, as the matter may warrant further clarification within IFRS 8 or IFRS 36.

The Board directed staff to finalise the draft AASB submission on the RFI out of session through a sub-committee of members (Anna Crawford, Brett Rix, Ian McPhee, Kevin Stevenson) formed for this purpose.

Action: Staff Sub-committee

Leases

Agenda Item 14

The Board had before it a memorandum from Nikole Gyles and Masha Marchev dated 16 October 2012 (agenda paper 14.1).

Staff provided the Board with an update on the discussion by the IASB and the FASB on their Leases project in their September meeting. The Board decided there were no issues that ought to be raised with the IASB prior to drafting its submission on the forthcoming further IASB ED. However, the Board noted it has significant reservations about the tentative decisions made by the IASB and FASB in relation to accounting for impairment of assets under the single lease expense approach, the lease expense recognition pattern under that approach, and the date of assessment of the lease approach. A number of these reservations stem from the Board's overall concerns with the single lease expense approach being a rules-based approach with no underlying conceptual basis. The AASB intends to raise these concerns to the IASB in its submission on the forthcoming ED.

Revenue from Contracts with Customers

Agenda Item 15

The Board had before it:

(a) a memorandum from Nikole Gyles dated 16 October 2012 that included an overview of IASB/FASB discussions on revenue from contracts with customers at their September 2012 meeting (agenda paper 15.1); and

(b) Revenue from Contracts with Customers Project Update – October 2012 IASB/FASB meeting (tabled agenda paper 15.2).

Staff provided the Board with an update on the tentative decisions made by the IASB and the FASB in their September and October 2012 meetings on the Revenue from Contracts with Customers project. The Board expressed concern in relation to:

(a) the general direction of the IASB/FASB discussion relating to the possible re-introduction of a collectability threshold for revenue. The Board consider that the introduction of such a threshold would be inconsistent with the core principle of the model that an entity should recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services; and

(b) the introduction of a number of rules-based requirements (including amendments to the proposed accounting for contract modifications, and the use of 'units produced' or 'units delivered' methods to measure entity's progress toward complete satisfaction of a performance obligation that is satisfied over time).

The Board decided to write, through the Chairman, to the IASB to express these concerns.

Action: Staff

Chairman

IPSASB Report

Agenda Item 16

The Board had before it:

(a) a memorandum from Clark Anstis dated 16 October 2012 (agenda paper 16.1);

(b) New Zealand report on the IPSASB September 2012 meeting (agenda paper 16.2); and

(c) IPSASB *Meeting Highlights* (September 2012) (agenda paper 16.3).

The Board received a report on the September 2012 meeting of the IPSASB, particularly noting the following:

(a) the IPSASB approved exposure drafts on two major phases of its Conceptual Framework project – elements and recognition in financial statements, and measurement of assets and liabilities in financial statements – and gave initial consideration to the submissions received on its Consultation Paper on presentation in general purpose financial reports;

(b) the IPSASB approved its Consultation Paper on IPSASs and Government Finance Statistics (GFS) Reporting Guidelines;

(c) progress on various IPSASB projects – long-term fiscal sustainability, service performance reporting, financial statement discussion and analysis, first-time adoption of IPSASs and an update of the IPSASs on consolidation and joint arrangements; and

(d) discussions between the IFAC, the Monitoring Group and its Public Interest Oversight Board regarding the establishment of oversight arrangements for the IPSASB should conclude in 2013.

The Board also noted that the IPSASB next meets in December 2012.

Close of Meeting

The Chairman closed the meeting at approximately 10.45 am. on Thursday 1 November 2012.

Approval

Signed by the Chairman as a correct record
this twelfth day of December 2012