

EXTRACT FROM MINUTES: AASB 17-18 DECEMBER 2008 MEETING

GAAP/GFS Harmonisation for Entities within the GGS

Agenda item 4

The Board had before it:

- (a) a memorandum from Robert Keys, dated 3 December 2008 (Agenda paper 4.1);
- (b) draft ED XX *Amendments to Australian Accounting Standards to facilitate GAAP/GFS Harmonisation for Entities within the GGS* [AASBs 101, 107 and 1052] (Agenda paper 4.2); and
- (c) extract from approved minutes: 24 September 2008 AASB meeting (Agenda paper 4.3).

The Board considered the draft Exposure Draft (ED XX) proposing GAAP/GFS harmonisation requirements for entities within the GGS to be effected through amendments to AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows* and AASB 1052 *Disaggregated Disclosures*. The Board approved the ED for issue, subject to it being amended to reflect the following (after final clearance through the Acting Chairman):

- (a) further clarify the types of entities to which the proposals would apply, by:
 - (i) amending the Preface to include:
 - an explanation of the GGS;
 - a reference to where lists of entities within the GGS might be located, for example those published by jurisdictions in budget papers; and
 - an explicit statement that for-profit entities within the GGS would be subject to the proposals;
 - (ii) including in Appendix A a definition of governments, to help clarify that local governments are not subject to the proposals;
 - (iii) amending item (c) in the Main Features of this Exposure Draft section of the Preface, as marked-up in the following: ‘AASB 1052 *Disaggregated Disclosures* to require entities within the GGS of governments, not just government departments, to apply the relevant requirements in that Standard’;
 - (iv) amending the definition of ‘entity within the GGS’ by defining it directly (as in AASB 1049) rather than in the indirect way in which it was defined in the draft ED;

- (b) allow an entity within the GGS to adopt a net cost of services format for its statement of comprehensive income (and, in particular, amend paragraph BC3, including deleting the example in the third sentence of that paragraph); and
- (c) specifically request comments on a range of issues, including whether:
 - (i) the proposals are necessary and/or sufficient to satisfy the objective of GAAP/GFS harmonisation for entities within the GGS;
 - (ii) it is appropriate for the proposals to apply to for-profit entities within the GGS;
 - (iii) it is appropriate to expand the application of AASB 1052 beyond government departments;
 - (iv) entities within the GGS should be subject to the principle in AASB 1049 *Whole of Government and General Government Sector Financial Reporting* that, where there is a choice in GAAP that aligns with GFS, that choice is mandated. (The ED will not include such a proposal);
 - (v) entities within the GGS should be subject to the same kind of budgetary reporting requirements that are specified in AASB 1049. (The ED will not include such a proposal); and
 - (vi) there is a need for specific transitional requirements to facilitate the adoption of the GAAP/GFS harmonisation proposals. (The ED will not include specific transitional requirements, and paragraph BC15 should be amended to explicitly refer to AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* as the source for the treatment where an entity within the GGS elects to change an accounting policy, consistent with GAAP, to align with GFS); and
- (d) amend the Basis for Conclusions to be consistent with the above decisions. The Basis for Conclusions should also be subjected to an editorial review by staff to improve its readability, having regard to Board members' editorial comments provided to staff out-of-session.

The Board also considered whether to:

- (a) elaborate on the definition of 'transactions' in the Preface and decided that it is not necessary as the ED makes a clear cross-reference to the ABS GFS manual in which GFS terms, including transactions, are defined and explained; and
- (b) to require, consistent with paragraph 41(a)(iv) of AASB 1049, entities within the GGS to disclose an explanation of key technical terms. The Board decided that such a

requirement is not warranted, noting that entities could choose to make such disclosures.

The Board:

- (a) indicated its intention to issue the ED in January 2009 with a four-month comment period;
- (b) to develop, during the early stages of the comment period, an illustrative example of financial statements consistent with the proposals, ready for its consideration at roundtables that will be conducted in Melbourne and Canberra; and
- (c) will advise the dates of the roundtables on the website once they are determined.

The Board noted that the Victorian Department of Treasury and Finance (DTF) has developed a model set of financial statements for its government departments and considered that such model sets of financial statements might be suitable as a basis for an illustrative example of the proposals in the ED. Accordingly, consistent with earlier offers from the HoTARAC GFS/GAAP Harmonisation Working Group, the Board directed staff to ask the Working Group to lead the development of the illustrative example and suggested that it be based on the Victorian DTF work. The Board decided that it is not necessary for the example to be cleared through the Board. However, if any controversial issues emerge during the development of the example, they should be brought to the attention of the Board.

Action:

Staff

Acting Chairman