



Issue: Number 145
Date: 15 July 2011
Subject: AASB Meeting 118, 13-14 July 2011

GAAP/GFS Harmonisation – Post-Implementation Review of AASB 1049

The Board considered respondents' comments on the proposals in ED 211 *Proposed Amendments to AASB 1049* that were open for comment until 6 June 2011.

The Board decided to proceed with most of the ED's proposed amendments to AASB 1049. The most significant change from those proposed amendments is in relation to the presentation of key fiscal aggregates and other fiscal aggregates. In that regard, the Board decided to further clarify the relationship between the requirements in AASB 1049 relating to both types of aggregates and which are to be presented, including allowing other measures of key fiscal aggregates to be presented as fiscal aggregates (but not as key fiscal aggregates) in a way that does not detract from the information required by the Standard.

The Board also decided to further clarify the principle to be applied when distinguishing between transactions and other economic flows.

The Board will next consider a draft Amending Standard.

Service Concession Arrangements – Grantors

The Board discussed recent decisions of the IPSASB concerning grantor accounting for service concession arrangements. In particular, the Board discussed, but made no decisions about, the following aspects:

- (a) the scope of regulation that should be considered by a grantor in assessing whether it controls service concession assets;
- (b) the recognition by a grantor of a service concession asset as it is being constructed by the operator when the grantor has little ability to avoid accepting the assets constructed under the specifications of the service concession arrangement;
- (c) the pattern of recognition of revenue by a grantor when it obtains control of service concession assets constructed by the operator and compensates the operator by granting a right to charge third-party users of the assets; and
- (d) retrospective application of an IPSASB Standard by grantors, including those that have not previously recognised service concession assets.

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The IPSASB will consider finalising its Standard at its September 2011 meeting. The IPSASB may, however, decide to re-expose the proposed Standard or parts of it. The Board plans to comment to the IPSASB on the draft Standard when it is available.

The Board also discussed the process it might follow, once the IPSASB has issued its Standard, to develop an Australian Accounting Standard. For example, an exposure process in Australia might be based on the IPSASB Standard. The proposal might include modified revenue recognition requirements consistent with the outcome of the IASB project on Revenue from Contracts with Customers.

Income of Not-for-Profit (NFP) Entities – Liabilities for Onerous Contracts

The Board is developing an ED on Income of NFP Entities, based on achieving consistency with the approach being developed by the IASB in its work on Revenue from Contracts with Customers. The Board noted the IASB approach is planned for re-exposure by the IASB and that the existing draft IFRS is planned to be modified by the IASB.

The Board considered an issues paper discussing whether its ED should propose that NFP entities apply an 'onerous contract' test consistent with that set out in the draft IFRS. In addition, the issues paper discussed whether expected text of the 'onerous contract' test in the forthcoming ED would warrant any modification to deal with NFP-specific issues. The session was educational and the Board made no decisions.

The Board noted that the scope of this topic relating to onerous contracts is confined to arrangements giving rise to unconditional enforceable obligations to provide goods or services in long-term contracts, where the performance obligations are not capped by the amount of consideration received by the entity and the entity cannot cancel the contract and return the consideration. The Board also noted that AASB staff are communicating with IASB staff regarding this topic. The Board will consider further issues papers after the IASB's proposals regarding the 'onerous contract' test become clearer.

IPSASB ED on Key Characteristics of the Public Sector with Potential Implications for Financial Reporting

The Board considered key issues arising from IPSASB Conceptual Framework ED *Key Characteristics of the Public Sector with Potential Implications for Financial Reporting*, for the purpose of making a submission.

Comments on the ED are due by 31 August 2011.

The Board decided to express concern that the ED does not clearly explain the implications of the key characteristics for the IPSASB's draft Conceptual Framework or link those characteristics to proposals in other IPSASB Conceptual Framework consultation documents. Therefore, the ED's purpose is unclear. The Board also decided to note that a number of the key characteristics are not unique to the public sector.

A copy of the Board's submission will be available on its website in due course.

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Presentation of Other Comprehensive Income

Following its June 2011 discussion of the IASB's pre-ballot draft of *Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)*, the Board considered the implications of the finalised IFRS for 'Aus' paragraphs in Australian Accounting Standards incorporating IFRSs and for other domestic Standards. The Board decided it is not necessary to amend any Aus paragraphs in Australian Accounting Standards incorporating IFRSs (including AASB 3 *Business Combinations*) or other domestic Standards for consistency with the amendments to IAS 1, except for making consistent the terminology in certain paragraphs of AASB 1039 *Concise Financial Reports*.

Revenue from Contracts with Customers

The Board received an update on the tentative decisions made by the IASB and the FASB in their June 2011 meeting on the Revenue Recognition project. The Board decided none of those decisions gave it cause to write to the IASB expressing concerns.

The Board also reversed its June 2011 decision to write to the IASB about the apparent inconsistency between the IASB's tentative decision that an entity recognises an asset for incremental costs expected to be recovered and not in the scope of another Standard, and the IASB's tentative decisions on similar matters in other projects. This is in light of subsequent IASB decisions in its Insurance Contracts project and its decision to re-expose the draft IFRS on Revenue from Contracts with Customers.

Leases

The Board received an update on the tentative decisions made by the IASB and the FASB in their June 2011 meeting on the Leases project. The Board decided that none of those decisions gave it cause to write to the IASB expressing concerns.

The Board also discussed the results of a staff preliminary analysis of issues relating to the accounting for below-market lease arrangements in the NFP sector. The Board decided not to make any amendments to the existing requirements of AASB 117 *Leases* or AASB 1004 *Contributions* in relation to the issues, in light of the current reviews of those Standards. The Board will consider whether the issues need to be addressed explicitly for NFP entities in the expected Australian Accounting Standard incorporating the future IFRS on Leases and/or the forthcoming ED on Income of NFP entities.

Consolidation – Investment Entities

The Board considered the likely approach of the IASB, which is expected to be to propose that investment entities recognise investments in subsidiaries at fair value through profit or loss rather than consolidating them. The Board did this with a view to determining the contextual material it might include with the forthcoming ED when it is issued for public comment in Australia. The Board agreed to identify in the

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Preface broadly what the contentious issues might be. The Board also decided that the Chairman should raise questions about the ED proposals in an accompanying release.

Financial Instruments – Impairment

The Board received an update on the IASB's tentative decisions relating to classifying loans for the purposes of assessing impairment, that is, the proposed 'three-bucket' expected loss approach, which is being considered in the context of loans managed on an open portfolio basis at this stage. The Board decided that none of those decisions gave it cause to write to the IASB expressing concerns. The Board noted the IASB aims to publish a revised ED by the end of Q3 of 2011.

The Board also noted that the IASB is considering amending the (mandatory) effective date of IFRS 9 *Financial Instruments* (including the already issued parts of IFRS 9) from 1 January 2013 to 1 January 2015.

The AASB will continue to monitor the IASB's work.

Reduced Disclosure Requirements (RDR)

The Board decided, in the light of its experience in determining RDR disclosures, to improve the clarity of its working guidelines when assessing and documenting individual disclosures under RDR. The guidelines are to draw out the roles of benchmarking against the *IFRS for SMEs* and of analogies when certain types of disclosures are being considered. The Board confirmed that, when new or revised IASB standards introduce requirements not addressed at the time the *IFRS for SMEs* was issued, the relevant benchmark is a notionally updated version of the *IFRS for SMEs*. The objective is to have RDR disclosures that are, as far as is practicable, likely to be consistent with the *IFRS for SMEs* when the latter is updated by the IASB. The Board acknowledged that judgements are most difficult when a new IFRS moves beyond updating or revising an existing Standard and covers a completely new area (eg disclosures relating to involvements with structured entities). However, the AASB still expects the guidelines on benchmarking and use of analogies will have a good deal of power in those circumstances, meaning that they do not necessarily lead to significant additional disclosures.

Integrated Reporting

The Board discussed the broad content of its response to a request for information from the Chairman of the FRC's Task Force on Integrated Reporting, particularly in relation to the Board's positions of principle. The Board decided its response should include a comment on the need for an agreed definition of 'integrated reporting', and for consideration of the relationship between integrated reporting and financial reporting. The Board noted this would reduce any confusion about the role of financial reporting. The Board also decided to continue to monitor developments in relation to integrated reporting and provide input as appropriate.

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Interpretations Update

The Board received an update on the following topics discussed at the 7-8 July 2011 IFRS Interpretations Committee meeting:

- (a) stripping costs in the production phase of a surface mine;
- (b) when to recognise a liability (and associated expense) for levies;
- (c) issues pertaining to business combinations; and
- (d) concerns relating to the aggregation of operating segments and the identification of the 'chief operating decision maker' in the context of segment disclosures.

IPSASB Report

The Board received an update on the June 2011 meeting of the IPSASB, and discussed a range of issues. No decisions were called for.

In particular, the Board noted the IPSASB is considering new projects to be added to its work program later this year and in 2012. The IPSASB is planning projects to update its financial instruments and consolidations/joint arrangements Standards for recent IASB Standards, but is not addressing other IFRS convergence matters at this stage.

The IPSASB also discussed its governance and oversight arrangements (an IFAC consultation paper is in preparation), presentation and disclosure (phase 4 of the Conceptual Framework project), a final Standard on accounting for service concession arrangements by grantors, an ED on reporting on the long-term sustainability of a public sector entity's finances, service performance reporting, entity combinations, and financial statement discussion and analysis.

IFRS Foundation Trustees – Strategy Review

The Board discussed its submission on the IFRS Foundation's *Report of the Trustees' Strategy Review – IFRSs as the Global Standard: Setting a Strategy for the Foundation's Second Decade*, which is due for comment by 25 July 2011.

The Board agreed to comment on maintaining the IFRS brand, strategies for encouraging the adoption of IFRSs in more jurisdictions, the need to have a long-term strategy for one set of standards for all entities from all sectors (and even within the for-profit sector), the use of networks of national standard setters in furthering the IFRS Foundation's aims and the need for sound governance and due process at all levels of the institutional framework for international standard setting.

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AASB Business Plan

The Board discussed the draft document *Business Plan Outcomes – 2011–2012* in the context of: its strategy discussions in March 2010; recent developments in domestic, IASB and IPSASB projects; and the further recent strengthening of the Board's relationships with other national standard setters in the region.

The Board decided to re-label the document as relating to outcomes and future directions rather than using the words 'business plan' and noted the document would be finalised in the coming weeks and made available on its website.

The Board also decided to schedule discussions in 2012 to develop a more formalised business plan.

Discussion with Chairman of the Financial Reporting Council (FRC)

The FRC Chairman, Lynn Wood, attended the Board meeting, accompanied by the FRC Secretary, Michael Lim. Given her recent appointment as FRC Chairman, Ms Wood expressed an interest in gaining a better understanding of the Board's operations and gave an overview of the FRC Strategic Plan (which is available on the FRC website at <http://www.frc.gov.au/reports/strategicplans/2011-2014.asp>) to enhance the Board's understanding of the FRC, its objectives and the planned work of its task forces. There was also a discussion of the FRC's resources and relationships, including developing international relationships.

Board Membership

The Chairman welcomed Michele Embling to her first meeting. Ms Embling is the Chair of the newly established New Zealand Accounting Standards Board and a member of the New Zealand External Reporting Board (XRB).

Mark Jenkin resigned from the Board with effect from 31 July 2011, due to a change in his role within the Australian Public Service. The Board acknowledged his valuable contributions during his time as a Board member.

The Board also expressed its congratulations to Roger Sexton on his AM and acknowledged the outstanding contribution of Warren McGregor (a recently retired IASB member and AASB Observer) for his services to accounting standard setting.

Public Sector and NFP Private Sector Symposiums

The Board noted the AASB will hold two symposiums, in Melbourne on Monday 15 August and in Sydney on Friday 19 August 2011. More information is available on the AASB website.

Asian-Oceanian Standard Setters Group (AOSSG)

The AOSSG will hold its Annual Meeting in Melbourne on 23-24 November 2011, at which time Australia will take over the Chairmanship. The public can register to attend <http://www.aossg.org/meetings-and-events>.

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Recently Approved Documents

Since last reported (25 May 2011), the Board has approved the following Standards and Exposure Drafts:

Date Approved	Document	Effective Date (Standards) Due Date for Submissions (EDs)
7 July 2011	AASB 2011-4 <i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i>	1 July 2013
27 June 2011	ED 212 <i>Not-for-Profit Entities within the General Government Sector</i>	31 October 2011
4 July 2011	ED 213 <i>Improvements to IFRSs</i>	6 September 2011
4 July 2011	Tier 2 Supplement to ED 201 <i>Insurance Contracts</i>	30 September 2011

Documents Open for Comment

The following documents are open for comment. AASB submissions to the IASB, IFRS Interpretations Committee, IFRS Foundation or IPSASB are published on the AASB website.

Originating Organisation	Document	AASB No.	AASB Due Date	Other Organisation Due Date
AASB	Questionnaire on the initial accounting for intangible assets	-	Extended to 15 July 2011	-
IFRS Foundation	<i>Report of the Trustees Strategy Review – IFRSs as the Global Standard: Setting a Strategy for the Foundation's Second Decade</i>	-	-	25 July 2011
IPSASB	ED: <i>Key Characteristics of the Public Sector with Potential Implications for Financial Reporting</i>	-	-	31 August 2011
IASB	<i>Improvements to IFRSs</i>	ED 213	6 September 2011	21 October 2011
AASB	Tier 2 Supplement to ED 201 <i>Insurance Contracts</i>	Tier 2 Supplement to ED 201	30 September 2011	-
AASB	ED 212 <i>Not-for-Profit Entities within the General Government Sector</i>	ED 212	31 October 2011	-

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Minutes

The Board approved the minutes of Meeting 117, held on 8-9 June. These are now available on the AASB's website.

Next Meeting – 7-8 September 2011

It is expected the Board will deal with the following items:

- Financial Instruments – update on IASB progress
- Leases – update on IASB progress
- Revenue – update on IASB progress
- IASB Annual Improvements 2009–2011
- Superannuation Entities – sweep issues
- IASB Request for Views: Three-yearly public consultation
- Income of NFPs

Future Meeting Dates

The remaining 2011 meeting dates are:

- 7-8 September
- 26-27 October
- 7-8 December

The 2012 meeting dates are:

- 15-16 February
- 14-15 March (if required)
- 18-19 April
- 6-7 June
- 25-26 July
- 5-6 September
- 24-25 October
- 12-13 December

Unless indicated otherwise, meetings are held in Melbourne.

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