



**Issue:** Number 161  
**Date:** 25 October 2013  
**Subject:** AASB Meeting 134, 23-24 October 2013

## 1. Overview

At this meeting the Board discussed:

- (a) sweep issues relating to guidance on control to accompany AASB 10 *Consolidated Financial Statements* arising from AASB ED 238 *Consolidated Financial Statements – Australian Implementation Guidance for Not-for-Profit Entities* ([see section 2](#));
- (b) an update on the recent tentative decisions made by the IASB on its Disclosure Initiative project ([see section 3](#));
- (c) the withdrawal of AASB 1031 *Materiality* in light of comments received on AASB ED 243 *Withdrawal of AASB 1031 Materiality* ([see section 4](#));
- (d) key issues to raise in its submission to the IASB on ED/2013/8 *Agriculture: Bearer Plants* ([see section 5](#));
- (e) recent developments relating to the accounting for Emission Trading Schemes ([see section 6](#));
- (f) key issues to raise in its submission to the IASB on IASB ED/2013/7 *Insurance Contracts* ([see section 7](#));
- (g) an update on the joint IASB and FASB *Revenue from Contracts with Customers* project ([see section 8](#));
- (h) those aspects of the IASB's Conceptual Framework project relating to presentation and disclosure (excluding the presentation of other comprehensive income), derecognition of assets and liabilities, and the classification (as liabilities and/or equity) of puttable instruments with particular features in the IASB's Discussion Paper DP/2013/1 *A Review of the Conceptual Framework for Financial Reporting* ([see section 9](#));
- (i) an update on the IASB's *Financial Instruments* project ([see section 10](#));

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- (j) an update on the IFRS Interpretations Committee activities ([see section 11](#));
- (k) an update of IPSASB activities ([see section 12](#)) and
- (l) considered the potential reinstatement of AASB 7 *Financial Instruments: Disclosures* ([see section 13](#)).

Recently approved documents are listed in [section 14](#) and documents open for comment are listed in [section 15](#).

## 2. Australian Implementation Guidance for Not-for-Profit Entities

The Board considered sweep issues arising from Board members' review of the pre-ballot draft of the amending Standard that would add authoritative implementation guidance for not-for-profit entities to both AASB 10 *Consolidated Financial Statements* and AASB 12 *Disclosure of Interests in Other Entities*. The Board provided staff with directions for revising the draft Standard, including the following:

- (a) the paragraph addressing the organisation of independent statutory office holders should also refer to the government retaining control of the resources provided to the organisations assisting the office holders; and
- (b) the introductory paragraph to the comprehensive examples should note that distinguishing substantive and protective rights in any particular case requires analysis of the circumstances, including considering the reasons for different investors holding various rights in relation to the investee.

A revised ballot draft of the amending Standard will now be prepared by staff, with members to vote on approving the Standard by the end of October.

## 3. IASB Disclosure Initiative – proposed amendments to IAS 1

The Board received an update on the recent tentative decisions made by the IASB in its Disclosure Initiative project.

The Board noted the tentative decisions made by the IASB discussed at the IASB September 2013 meeting regarding the following proposed amendments to IAS 1 *Presentation of Financial Statements*:

- (a) proposed narrow-scope amendments to IAS 1;
- (b) clarifying the requirements in IAS 1 concerning the current/non-current classification of liabilities; and

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- (c) presentation of items of other comprehensive income arising from equity accounted investments.

The Board decided there were no issues that ought to be raised with the IASB before the IASB publishes proposals in relation to this topic.

## 4. Withdrawal of AASB 1031 Materiality

The Board considered the submissions to AASB ED 243 *Withdrawal of AASB 1031 Materiality* and decided to proceed with the withdrawal of AASB 1031. The Board decided that the timing of withdrawal should not depend on any IASB project, but should occur at a time that is appropriate within the Board's schedule of amending Standards.

The Board directed staff to bring back to the December 2013 Board meeting a paper detailing various ways in which the withdrawal of AASB 1031 could be achieved.

## 5. Agriculture – Bearer Plants

The Board considered the submissions to AASB ED 245 *Agriculture: Bearer Plants* (which incorporates IASB ED/2013/8 that is open for comment to the IASB until 28 October 2013). The Board decided its submission to the IASB should broadly support the proposal to account for bearer plants under IAS 16 *Property, Plant and Equipment*, but not support the proposal to account for produce growing on a bearer plant as a biological asset (and therefore under IAS 41 *Agriculture*) separately from the bearer plant. The initial accounting for produce immediately after harvest should be as currently required by IAS 41.

## 6. Emission Trading Schemes

The Board received a brief verbal report on the recent publication by the Government of the *Repeal of Carbon Tax Exposure Draft Legislation and Consultation Paper* and the *Emission Reduction Fund Terms of Reference*. The Board asked staff to continue to monitor legislative developments, with a view to updating the Board periodically for the purposes of considering any financial reporting implications of such developments for both emitter entities and the Government in a timely way.

The Board also asked staff to continue monitoring any IASB work on its Emission Trading Schemes research project, with a view to identifying issues for consideration by the Board in a timely way.

## 7. Insurance

The Board considered the feedback received on AASB ED 244 *Insurance Contracts* (which incorporates IASB ED/2013/7) from:

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- (a) Australian constituents through targeted liaison;
- (b) a Roundtable conducted on 3 September 2013 via video-conference in Sydney and London involving some IASB members and staff; and
- (c) a Roundtable on 12 September 2013 via video-conference in Melbourne and Auckland in association with the New Zealand Accounting Standards Board.

In respect of its submission to the IASB on ED/2013/7, the Board decided to express strong support for the IASB to move to complete the project, and overall support for the exposure draft proposals and on those matters on which comment is not formally being sought by the IASB.

In particular, the Board strongly supports the revised proposals concerning:

- (a) 'unlocking' the contractual service margin (CSM) by remeasuring fulfilment cash flows using current information;
- (b) the principle that there is one measurement model for insurance contract liabilities and that the simplified approach for measuring insurance contract liabilities (i.e. the premium allocation approach or PAA) is a reasonable approximation of the 'full' approach for measuring insurance contract liabilities (i.e. the building block approach or BBA) and alignment of the related disclosures;
- (c) the way in which the boundary of an insurance contract is determined; and
- (d) transition.

However, the Board has significant concerns about some of the specific proposals, in particular:

- (a) the proposal to use historical discount rates to segregate the result between profit or loss and other comprehensive income (OCI). The Board supports retaining a current value measurement approach with an option for entities to elect to present amounts due to changes in discount rates in OCI. The Board believes that such an option should be available for entities with insurance activities on transition to the revised insurance contracts standard;
- (b) the proposal to require 'mirror' accounting for particular types of contracts. The Board supports permitting mirroring as a non-mandatory accounting treatment for contracts that involve complexities such as guarantees, delayed profit share allocations and where benefits can be provided to policyholders in a variety of forms. The Board noted that, although the proposals in relation to

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mirroring seem sound in principle, it expects that the accounting would be overly complex to apply and for users to understand; and

- (c) the proposed disclosures, which the Board regards as too detailed and too onerous, in particular concerning the requirements for reconciliations. The Board supports disclosure of the key amounts underlying the changes in insurance liabilities for the period and asked staff to consider whether this type of disclosure might mitigate the need for many of the proposed disclosures.

## 8. Revenue from Contracts with Customers

The Board received an update on the progress made by the IASB and the FASB on their joint Revenue from Contracts with Customers project. The Board noted that the following topics will be discussed by the IASB and the FASB at their joint meeting on 30 October 2013:

- (a) collectibility, specifically how assessments of a customer's credit risk should be reflected in accounting for contracts with customers;
- (b) the constraint on revenue recognition for estimates of variable consideration; and
- (c) the implementation guidance on licences.

After reaching decisions on those topics, the IASB and the FASB will finalise the drafting of the Standard. The most recent IASB work plan identifies that it is targeting completion of the Standard in Q4 2013.

## 9. IASB Conceptual Framework Project

The Board conducted a non-deliberative educational session on aspects of AASB Invitation to Comment ITC 29 *A Review of the IASB's Conceptual Framework for Financial Reporting* (July 2013), which incorporates IASB Discussion Paper DP/2013/1. The aspects discussed were presentation and disclosure (excluding the presentation of other comprehensive income), derecognition of assets and liabilities, and the classification (as liabilities and/or equity) of puttable instruments that give holders a pro rata residual interest in the entity's net assets and can be redeemed early for that pro rata share.

The Board also discussed the process for the review and approval of its submission on the IASB DP, comments on which are due to the IASB by 14 January 2014. The Board plans to consider key issues regarding its draft submission, after considering comments it receives on ITC 29 (which is open for comment to the AASB until 8 November), at its meeting in December 2013.

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## 10. Financial Instruments

The Board received an update on the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* with IFRS 9 *Financial Instruments* relating to classification and measurement, impairment and general hedge accounting. The Board noted that, in their September 2013 meetings, the IASB and FASB began joint redeliberations on the amendments to the existing criterion of what are solely payments of principal and interest as proposed in IASB ED/2012/4 *Classification and Measurement: Limited Amendments to IFRS 9* and FASB Proposed Accounting Standards Update *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The IASB also began redeliberations on the dual-measurement impairment model proposed in IASB ED/2013/3 *Financial Instruments: Expected Credit Losses*.

Whilst it remains concerned about some aspects of the IASB's proposals in ED/2012/4 and ED/2013/3 and the tentative decisions made subsequently, the Board decided not to write again to the IASB but to continue to monitor the project. The most recent IASB work plan identifies that it is targeting completion of its redeliberations on classification and measurement and impairment by the end of 2013.

The Board also noted that the most recent IASB work plan identifies that it is targeting issuance of the general hedge accounting requirements by the end of 2013. Amendments to the 'own credit requirements' of IFRS 9 are expected to be issued at the same time.

### *Portfolio Revaluation Approach (Macro Hedge Accounting)*

The Board received an education session on the 'portfolio revaluation approach' (macro hedge accounting) that is expected to be included in a forthcoming IASB Discussion Paper. The most recent IASB work plan identifies that it is targeting issuance of the Discussion Paper by the end of 2013.

### *Tier 2 disclosure requirements*

The Board noted two submissions were received; each commenting on the Tier 2 Supplement to ED 230 *Classification and Measurement: Limited Amendments to AASB 9* and Tier 2 Supplement to ED 237 *Financial Instruments: Expected Credit Losses*. The comment period for both Tier 2 EDs closed on 16 September 2013. The Board intends to consider an analysis of the submissions and staff recommendations for the Tier 2 Disclosure Requirements when the disclosures for these phases of IFRS 9 are issued by the IASB. The most recent IASB work plan identifies that it is targeting issuance of those phases of IFRS 9 as a standard in H1 2014.

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## 11. IFRS Interpretations Committee Update

The Board received an update on the 10-11 September 2013 IFRS Interpretations Committee (Committee) activities and decided that there were no issues that need to be raised with the Committee at this stage. However, in relation to proposed amendments to IAS 19 *Employee Benefits* that the Committee has recommended to the IASB, the Board questioned whether a single example would adequately facilitate analysis of other patterns of employee contributions or third party payments to an employee's defined benefit plan. AASB staff will communicate this concern to Committee staff.

## 12. IPSASB Update

The Board noted the IPSASB Meeting Highlights and a New Zealand Report from the NZ IPSASB Member on the September 2013 IPSASB meeting.

## 13. Emerging Issues

The Board considered the potential reinstatement of paragraph B6 of IFRS 7 *Financial Instruments: Disclosures* in AASB 7 *Financial Instruments: Disclosures*. The Board decided that paragraph B6 should not be reinstated on the basis that it may have unintended consequences in an Australian reporting context.

## 14. Recently Approved Documents

Since the last Board meeting (4-5 September), the Board has approved out of session the following Standards:

- (a) AASB 2013-6 *Amendments to AASB 136 arising from Reduced Disclosure Requirements*;
- (b) AASB 2013-7 *Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders*; and
- (c) Tier 2 Supplement to ED 242 *Leases*.

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## 15. 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
IASB	Insurance Contracts (Exposure Draft)	ED 244	Comments closed 27 September 2013	25 October 2013
IASB	Agriculture: Bearer Plants (Exposure Draft)	ED 245	Comments closed 1 October 2013	28 October 2013
IASB	A Review of the IASB's Conceptual Framework for Financial Reporting (Invitation to Comment on IASB Discussion Paper)	ITC 29	8 November 2013	14 January 2014
AASB	Tier 2 Supplement to ED 242 Leases (Exposure Draft)	ED 242 Tier 2 Supp.	15 November 2013	–
IPSASB	First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) (Exposure Draft)	–	–	15 February 2014
IPSASB	Separate Financial Statements (Exposure Draft)	–	–	28 February 2014
IPSASB	Consolidated Financial Statements (Exposure Draft)	–	–	28 February 2014
IPSASB	Investments in Associates and Joint Ventures (Exposure Draft)	–	–	28 February 2014
IPSASB	Joint Arrangements (Exposure Draft)	–	–	28 February 2014
IPSASB	Disclosure of Interests in Other Entities (Exposure Draft)	–	–	28 February 2014

## 16. Board Minutes

The Board approved the minutes of Meeting 133, held on 4-5 September 2013. These are now available on the AASB's website.

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## 17. Next Meeting 11-12 December 2013

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

- IASB Disclosure Initiative
- IASB Conceptual Framework
- Withdrawal of AASB 1031 *Materiality*
- Leases – Project update
- Financial Instruments – Project update
- Feedback from the annual AOSSG conference and ASAF meetings in the table below

## 18. Important dates – 2013

Date	Meeting
27-28 November	Asian-Oceanian Standard-Setters Group (AOSSG)
5-6 December	Accounting Standards Advisory Forum (ASAF)
11-12 December	<b>Australian Accounting Standards Board</b>

## 19. Meetings 2014 – AASB

AASB Meetings scheduled for 2014 are:

- 19-20 February
- 8-9 April
- 28-29 May
- 16-17 July
- 3-4 September
- 22-23 October
- 3-4 December

All meetings are scheduled to be held in Melbourne.

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