



**Subject:** Minutes of the 133<sup>rd</sup> meeting of the AASB  
**Venue:** Ken Spencer Room, AASB offices  
Level 7, 600 Bourke St, Melbourne  
**Time(s):** Wednesday 4 September 2013 from 9.00 a.m. to 5.30 p.m.  
Thursday 5 September 2013 from 8.30 a.m. to 4.30 p.m.

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

## Attendance

Members	Kevin Stevenson (Chairman) Ian McPhee (Deputy Chairman) Peter Carlson Victor Clarke (in part day 2) Anna Crawford Michelle Embling (day 1) Peter Gibson Jayne Godfrey (in part day 2) Liane Papaelias Carmen Ridley Brett Rix
Apologies	Michelle Embling (day 2) John O'Grady Roger Sexton
In Attendance: Staff	Clark Anstis (in part) Glenn Brady (in part) Nikole Gyles Ahmad Hamidi Ravari (in part) Kala Kandiah (in part) Robert Keys Sue Lightfoot (in part) Christina Ng (in part) Lisa Panetta (in part) Jim Paul (in part) Julie Smith (in part) Joanna Spencer (in part) Shaun Steenkamp (in part) Angus Thomson
Consultant	Evelyn Ling (in part)
Observer	Lynn Wood (FRC Chairman) (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

#### *Treasury*

The Chairman noted that on 19 August he attended the Heads of Treasury Agencies meeting in Canberra. He indicated that the funding for the AASB was likely to be further reduced.

#### *IASB/AOSSG/IFASS/FASB*

The Chairman noted that:

- (a) the IASB has commenced a post-implementation review of IFRS 3 *Business Combinations*;
- (b) he and AASB staff will attend the meetings of IFASS, WSS, ASAF and AOSSG to be held later in September. The AASB will provide significant input into all of these meetings; and
- (c) Tricia O'Malley has been reappointed as the Chair of IFASS.

#### *Other*

The Chairman also noted that:

- (a) Sir David Tweedie former Chairman of the IASB paid an informal visit to the AASB;
- (b) Leases roundtables were held in Melbourne and Sydney on 7 and 8 August;
- (c) an Insurance roundtable was held in Sydney on 3 September and another was planned for Melbourne on 12 September;
- (d) he will present at the upcoming ASAF meeting his essay entitled *Rethinking the Path from an Objective of Economic Decision Making to a Disclosure and Presentation Framework*;
- (e) issues in relation to the cost of reporting by SME's and the classification of equity by cooperatives had been raised but the AASB was operating gatekeeper provisions and so could not comment;
- (f) AASB Board vacancies were advertised on 30 August; and
- (g) AASB staff participated in a panel at the FSAA Technical Seminar and gave perspectives on the IASB's recent Exposure Draft dealing with Insurance Contracts.



## Apologies, Minutes and Approvals Out of Session

Agenda Item 2

### Apologies

Apologies were noted for both days of the meeting from John O'Grady and Roger Sexton, and on Day 2 from Michelle Embling.

### Minutes

The Board approved the minutes of the one hundred and thirty second meeting held on 17-18 July 2013. There were no matters arising not otherwise addressed as part of the agenda.

### Approvals Out of Session

In relation to agenda paper 2.2, the Board noted that since the last Board meeting (17-18 July 2013), the Board has approved out-of-session the following Standards:

- (a) AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*; and
- (b) AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*.

In addition, the following consultation document was issued under the Board's policy of delegated authority for the Chairman to issue consultation documents where there is no significant additional Australian material. It was:

- (a) ITC 29 *A Review of the Conceptual Framework for Financial Reporting* with comments due by 8 November 2013 to the AASB and 14 January 2014 to the IASB.

There were no other approvals out of session.

### Other Business

Agenda Item 3

The Board noted:

- (a) a memorandum from Julie Smith and Nikole Gyles dated 20 August 2013 AASB Work Program – Standard Setting Directorate (agenda paper 3.1);
- (b) summary of AASB Work Program – Standard Setting Directorate (August 2013) (agenda paper 3.1.1);
- (c) detailed AASB Work Program (August 2013) – Standard Setting Directorate (agenda paper 3.1.2);
- (d) Submissions Pipeline Report (20 August 2013) [Board only] (agenda paper 3.1.3);
- (e) AASB Sub-committee membership listing as at 20 August 2013 [Board only] (agenda paper 3.2);
- (f) submission to the IASB dated 25 July 2013 re Exposure Draft ED/2013/4 *Defined Benefit Plans: Employee Contributions* (agenda paper 3.3);



- (g) memorandum from Jim Paul dated 16 August 2013 re AASB Submission on IPSASB ED 4 *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports* (agenda paper 3.4);
- (h) letter from AASB Chairman to Stephanie Fox Technical Director IPSASB dated 16 August 2013 re ED 4 (agenda paper 3.4.1);
- (i) letter from Grant Hehir Chair HoTARAC to Stephanie Fox Technical Director IPSASB dated 14 August 2013 re ED 4 (agenda paper 3.4.2);
- (j) letter from AASB Chairman to Wayne Upton Chairman IFRS IC dated 26 July 2013 re IFRIC 21 *Levies* (agenda paper 3.5);
- (k) memorandum from Tess Hamilton dated 22 August 2013 re Communications Strategy for Research Publications [BOARD ONLY] (tabled agenda paper 3.6);
- (l) Communications Report 17 July – 3 September 2013 [BOARD ONLY] (tabled agenda paper 3.6.1);  
and
- (m) letter from AASB Chairman to IASB Chairman dated 26 August 2013 re AAB comments on IASB Exposure Draft ED/2013/5 *Regulatory Deferral Accounts* (tabled agenda paper 3.7).

## **IFRS Interpretations Committee**

### Agenda Item 4

The Board had before it:

- (a) a memorandum from Nikole Gyles and Shaun Steenkamp dated 20 August 2013 re IFRS Interpretations Committee Update (agenda paper 4.1);
- (b) AASB staff summary of IFRS Interpretations Committee decisions – July 2013 (agenda paper 4.2);  
and
- (c) *IFRIC Update* July 2013 (agenda paper 4.3).

The Board received an update on recent IFRS Interpretations Committee (Committee) activities and decided there were no issues that need to be raised with the Committee at this stage. However, the Board decided to comment on the topic of accounting for a structure that appears to lack the physical characteristics of a building in its submission to the IASB on ED/2013/6 *Leases*.

Action:

Staff

Board members



## Emerging Issues

Agenda Item 5

### Stapled Entities

The Board received a verbal report on ASIC Class Order [CO 13/1050] *Financial reporting by stapled entities*, which permits the presentation of combined or consolidated financial statements covering all of the entities in a stapled group. The Class Order also permits all of the stapled entities in a stapled group to present their financial statements in one financial report. The Board asked staff to liaise with the ASIC and other interested parties to assess the potential impact of AASB 10 *Consolidated Financial Statements* on stapled entities.

In this context, the Board noted that there was a broader question that arises on the interrelationship between AASB 10 and AASB 3 *Business Combinations*. Therefore, the Board also asked staff to liaise further with the ASIC and other interested parties on this issue, with a view to informing the Board in writing to the IFRS Interpretations Committee on the interaction of the IFRS 3 requirement for entities to identify an acquirer, with the requirement in IFRS 10 for entities to prepare consolidated financial statements when control exists.

Action:	Staff
	Board members

### Tier 2 Supplement to ED 242 *Leases*

The Board had before it:

- (a) a memorandum from Nikole Gyles and Shaun Steenkamp dated 20 August 2013 re Tier 2 Supplement to ED 242 *Leases* – Sweep issues (agenda paper 5.1); and
- (b) analysis of Board Member comments on pre-ballot draft – Tier 2 Supplement to ED 242 *Leases* (agenda paper 5.1.1).

The Board considered sweep issues relating to a draft of the Tier 2 Supplement to ED 242 *Leases*. With the exception of paragraph 61, the Board agreed with staff analysis and recommendations. The Board decided that paragraph 61 of the Tier 2 Supplement should be excluded for Tier 2 entities.

On the basis that paragraph 61 corresponds to paragraph 17.31 of the *IFRS for SMEs*, applying the AASB's Tier 2 Disclosure Principles would normally lead to paragraph 61 being retained for Tier 2 entities. However, the Board noted that retaining paragraph 61 would appear to be inconsistent with the proposals to exempt Tier 2 entities from the reconciliations required in paragraphs 64 and 103-104. Therefore, in this instance, the Board considered it appropriate to depart from the Tier 2 disclosure principle relating to alignment with *IFRS for SMEs* and instead apply the other Tier 2 disclosure principles – in particular those relating to 'cost-benefit'.



The Board requested staff prepare a ballot draft of the Tier 2 Supplement to ED 242 for voting.

Action:	Staff
	Board members

## Review

### Agenda Item 6

The Board had before it:

- (a) a memorandum from Kevin Stevenson dated 20 August 2013 re AASB Strategic Plan Issues for Consideration [BOARD ONLY] (agenda paper 6.1);
- (b) AASB Strategic Plan 2013 – 2017 [BOARD ONLY] (agenda paper 6.2);
- (c) AASB Strategic Plan 2013 – 2016 – Cumulative Progress Report, as at August 2013 [BOARD ONLY] (Tabled agenda paper 6.3); and
- (d) a memorandum from Angus Thomson dated 20 August 2013 re AASB research centre aims as part of the AASB's overall strategy plan [BOARD ONLY] (agenda paper 6.4).

The Board discussed a number of issues pertinent to a review of its 5-year Strategic Plan, in light of the Board being 12 months into that Plan. The Board noted that the core aspects of the original Plan remain pertinent, although the Plan should be updated in a limited number of places, to reflect the current environment within which the Board is operating. The direction of the plan was agreed and an edited version is now to be finalised. The Financial Reporting Council (FRC) Chair, Lynn Wood, who attended this session, assisted discussions by providing an overview of the FRC Strategic Plan and the activities of the FRC.

## Post implementation review of IFRS 8 *Operating Segments*

### Agenda Item 7

The Board had before it:

- (a) a memorandum from Ahmad Hamidi dated 20 August 2013 (agenda paper 7.1);
- (b) 'Reflecting on IASB Report and Feedback Statement' (agenda paper 7.2); and
- (c) Report and Feedback Statement, Post-implementation Review: IFRS 8 *Operating Segments* (agenda paper 7.3).

The Board considered the IASB's Report and Feedback Statement (RFS) on the post-implementation review issued in July 2013 together with AASB staff analysis of some aspects of the feedback statement. The Board decided to have a follow up correspondence with the IASB (to be cleared by the Chairman) to provide further comments that it thinks would benefit the process of improving the Standard in regard to areas such as the identification of the chief operating decision maker (CODM) and the application of entity-wide disclosures as follows:



### Identification of CODM

- (a) The RFS notes that the practical difficulties associated with identification of the CODM are primarily a one-time issue that arises when first applying IFRS 8 and consequently is of more concern to first-time adopters (RFS, page 25). In the experience of the Board members, the process of CODM identification is not a 'once off' event. The identification of the CODM is often required to be reassessed when the structure of the reporting entity and the decision-making responsibilities change.
- (b) In many circumstances, in particular with the availability of modern technology, it is possible for the CODM to access various levels of information, including very detailed matters. Accordingly, the apparent implicit assumption in IFRS 8 that the review and assessment of a component activity is through summarised paper-based information formally made available to the CODM is not realistic in the modern business environment. As the information reviewed by the CODM impacts the identification of the operating segments, we question how the requirements of IFRS 8 interact with the availability of detailed information for CODM decision making.
- (c) As a related issue to the issue raised in (b) above, there is some ambiguity about the type and nature of information that would need to be subject to review and assessment by the CODM. An information pack provided on a group basis for review by a CEO (who is the CODM) but which also contains detailed information about different underlying components raises the question as to whether the disaggregated information contained therein should also be seen as being subject to the review and assessment by the CODM for the purpose of segment identification? A similar situation arises where the board of directors is collectively the CODM but individual members provide information that is shared by all members. It is unclear whether the exposure of the CODM to these separate streams of information constitutes review and assessment by the CODM for the purpose of identifying operating segments.
- (d) The issues noted above are largely the result of the rule-based criteria arising from the application of the notion of the CODM. The AASB should reiterate the view expressed in our comment letter that the identification of segments would be more robust if it were based on a principle that focuses on how an entity's business is actually organised and managed segmentally rather than by reference to the review of information by the CODM, which is more of a proxy for how a business is managed.
- (e) Excluding non-executive directors from being the CODM is not compatible with circumstances in which a board of directors is identified to be the CODM and the board members include non-executive directors. Accordingly, the general comment about exclusion of non-executive directors from the CODM might not be appropriate for all jurisdictions (RFS, page 7).

### Entity-wide disclosures

- (f) The RFS notes that many respondents think entity-wide disclosures are inconsistently applied across entities and that regulators frequently challenge the entity-wide disclosures. The RFS also notes that such disclosures provide useful information to investors (RFS, page 24). Comments from Australian constituents received by the AASB in response to the IASB's Request for Information on Post-



implementation Review: IFRS 8 indicated that in applying IFRS 8, entity-wide disclosures have been overlooked by preparers. It is our understanding that this is largely because the disclosure of such information is not expected to be required under a standard dealing with segment reporting. For users to benefit from such information, the AASB considers that this issue needs to be addressed to help ensure these disclosures are not inadvertently overlooked by preparers. For example, the IASB may wish to consider including these disclosure requirements in a standard containing general disclosure requirements, such as IAS 1, but with the same scope application as IFRS 8.

Action: Staff  
Chairman

## **IASB Conceptual Framework Project**

### Agenda Item 8

The Board had before it:

- (a) a memorandum from Jim Paul dated 20 August 2013 (agenda paper 8.1);
- (b) AASB staff issues paper on *Definition of equity and distinction between liabilities and equity instruments* (agenda paper 8.2);
- (c) extracts from IASB DP/2013/1 *A Review of the Conceptual Framework for Financial Reporting* (agenda paper 8.3); and
- (d) AASB staff PowerPoint-based presentation (tabled agenda paper 8.4).

At this meeting, the Board conducted a non-deliberative 'educational' session on Section 5 of AASB ITC 29 *A Review of the IASB's Conceptual Framework for Financial Reporting* (July 2013), which incorporates IASB DP/2013/1. Section 5 discusses the definition of equity, the distinction between liabilities and equity instruments, and whether different classes of equity claims should be remeasured independently of the carrying amount of assets and liabilities (i.e. as reallocations within the total amount of equity). No decisions were made.

The Board will hold further sessions on the DP at future meetings, for which staff plan to provide:

- (a) issues paper(s) discussing:
  - (i) derecognition;
  - (ii) presentation and disclosure (Section 7 of the IASB DP);
  - (iii) puttable instruments conveying an early redemption right to a pro rata residual interest in the entity; and
  - (iv) other significant issues identified by staff and not previously addressed in Board papers; and
- (b) an inventory of significant concerns previously considered by the Board.





The Board also noted that Forums on ITC 29 (encompassing IASB DP/2013/1) will be held in October shortly before the next AASB meeting.

Action: Staff

## Leases

Agenda Item 9

The Board had before it:

- (a) a memorandum from Nikole Gyles dated 20 August 2013 re issues for submission to the IASB in ED/2013/6 *Leases* (agenda paper 9.1);
- (b) an issues paper – ED/2013/6 *Leases* (agenda paper 9.2); and
- (c) submissions received on ED 242 *Leases* (submissions 1-6, and tabled submissions 7 and 8).

The Board considered the comments received from constituents on AASB ED 242 *Leases* (which incorporates ED/2013/6 *Leases*), feedback from Roundtables held in Sydney and Melbourne and targeted outreach meetings with constituents, with a view to identifying key issues to raise in its submission to the IASB.

The Board tentatively decided to express support for the broad direction of the proposals to bring assets and liabilities arising from lease arrangements onto the statement of financial position. The Board particularly noted that it did not support retaining the requirements of IAS 17 *Leases*.

Although expressing such broad support, the Board decided to express specific concerns with the proposals, including in relation to:

- (a) the overall complexity of the proposed model, which would involve a number of exceptions and concessions that further increase complexity;
- (b) the exclusion from the scope of the proposals of capacity leases over a portion of an asset;
- (c) disagreement with the dual model approach for both lessees and lessors, due to the lack of a robust conceptual basis (including its inherent assumption that some leases entered into by lessees do not include a finance component) and its potential to introduce unnecessary complexity;
- (d) the 'practical expedient' to distinguish between Type A and Type B leases on the basis of the nature of the asset (in some but not all cases);
- (e) the apparent inconsistency with the Conceptual Framework in relation to the straight-line expense pattern proposed for Type B lessee accounting. The Board's view is that the proposed apportionment of amortisation over the life of the right-of-use asset would not faithfully represent the underlying economics of the transaction, nor would it capture the depletion of economic benefits embodied in the right-of-use asset. Furthermore, the Board has concerns with the potential



interaction this amortisation could have with other aspects of the proposals, such as those relating to revaluations and impairment testing;

- (f) the potential double counting of the same asset by lessees and lessors in sub-lease accounting;
- (g) the calculation of the residual asset for lessors, which has the potential to obscure the meaning of the residual asset and hinder users' understanding of the amount, timing and uncertainty of cash flows arising from lease arrangements;
- (h) the overall volume of disclosures required in an already complex model; and
- (i) lack of conceptual basis for providing a short-term lease exception which may not be the best means of giving relief.

The Board agreed to finalise the submission out-of-session via the leases sub-committee.

Action:	Staff
	AASB leases sub-committee

## Financial Instruments

Agenda Item 10

The Board had before it:

- (a) a memorandum from Christina Ng and Sue Lightfoot dated 19 August re: Financial Instruments Project Update (agenda paper 10.1); and
- (b) IASB June 2013 IFRS Conference slides on Macro Hedge Accounting (agenda paper 10.2).

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:

- (a) at its July 2013 meeting the IASB tentatively decided to defer the mandatory effective date of IFRS 9 from annual periods beginning on or after 1 January 2015 and that the revised mandatory effective date should not be determined until the requirements for classification and measurement and impairment are finalised. The existing versions of IFRS 9 (2009 and 2010) will continue to be available for early application;
- (b) the IASB tentatively decided to make the 'own credit requirements' available for early application before the completed version of IFRS 9 is issued. The amendments to IFRS 9 relating to the own credit requirements would be made at the same time as the general hedge accounting requirements, which the IASB targets to issue by Q4 of 2013 (formerly expected to be issued in Q3 of 2013); and



- (c) the IASB and FASB received a preliminary summary from their staff of the feedback received on their respective impairment proposals. The IASB and FASB staff will provide a more detailed and complete analysis of feedback on the proposals at the joint meeting in September 2013.

The scheduled Board education session on macro hedge accounting was deferred and is now expected to take place at the October 2013 AASB meeting.

Action: Staff

## Financial Reporting Disclosure Feedback Statement

Agenda Item 11

The Board had before it:

- (a) a memorandum from Lisa Panetta and Jim Paul dated 20 August 2013 (agenda paper 11.1);
- (b) AASB Staff Issues Paper – *IASB Discussion Forum* (agenda paper 11.2); and
- (c) *Discussion Forum – Financial Reporting Disclosure Feedback Statement* (May 2013) (agenda paper 11.3).

The Board noted that the IASB held a Discussion Forum in January 2013 to obtain a better understanding of the disclosure problems users, preparers, standard-setters, auditors and regulators think need to be addressed and to assess whether there are immediate steps that the IASB could take. The *Feedback Statement* describes the main issues raised and some potential IASB responses to those issues.

Staff outlined the key issues discussed in the *Feedback Statement* and the Board then considered issues addressed in the Staff Issues Paper. The particular issues the Board considered were:

- (a) Clarifying the references to materiality;
- (b) Other factors contributing to the disclosure overload problem;
- (c) Overdependence on relevance in determining disclosures;
- (d) Conceptually-based principles for recognition and measurement; and
- (e) Specifying the location of disclosures.

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. AASB staff will monitor developments in the IASB's short-term project on potential amendments to IAS 1 *Presentation of Financial Statements* and provide updates to the Board at future meeting(s).

Action: Staff



## Emissions Trading Schemes

### Agenda Item 12

The Board had before it:

- (a) a memorandum from Ahmad Hamidi dated 18 August 2013 (agenda paper 12.1); and
- (b) an issues paper: Approaches to Recognition and Measurement of Emission Liabilities arising from Emissions Trading Schemes (agenda paper 12.2);

The Board considered an issues paper on the recognition and measurement of emission liabilities arising from emission trading schemes (ETSs). The Board noted that there is some published evidence of divergent practice around the world in recognising and measuring such liabilities. Some of that evidence suggests variable application of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. In particular, a mixed measurement approach has been adopted by some entities for measuring emission liabilities in which the value of the emission obligation is based on the carrying value of allowances already granted (which may be recognised at a nil value) and the purchase price of other allowances. Where allowances granted or purchased are insufficient, the balance of the liability is measured at the prevailing market price of allowances. Other entities have adopted a current value measurement basis for the entire emission liability.

In light of the evidence of divergent interpretations of IAS 37, and having had regard to the views on the interpretation of IAS 37 reflected in current and withdrawn IFRIC Interpretations, the Board decided to write to the IFRS Interpretations Committee to seek clarification on the issue of the measurement of liabilities. The Board noted that the clarification sought, though provoked by the question of ETS accounting, is likely to be relevant to how to account for liabilities under IAS 37 in other circumstances too.

The Board noted the draft staff project plan and decided to continue the discussion of accounting issues arising under ETSs at future meetings.

Action:

Staff

## Australian Implementation Guidance for Not-for-Profit Entities re Control and Structured Entities

### Agenda item 13

The Board had before it:

- (a) a memorandum from Clark Anstis, Lisa Panetta and Joanna Spencer dated 20 August 2013 (agenda paper 13.1);
- (b) the staff collation of the submissions on AASB Exposure Draft ED 238 *Consolidated Financial Statements – Australian Implementation Guidance for Not-for-Profit Entities* (agenda paper 13.2);
- (c) the submissions received on ED 238 (agenda paper 13.3); and



- (d) ED 238 *Consolidated Financial Statements – Australian Implementation Guidance for Not-for-Profit Entities* (March 2013) (agenda paper 13.4).

The Board considered the submissions received on ED 238 *Consolidated Financial Statements – Australian Implementation Guidance for Not-for-Profit Entities* (March 2013) and the staff collation of issues raised in the submissions. The Board initially discussed the issues identified by staff for consideration at the meeting, before opening the discussion to other issues raised by Board members – including but not limited to other issues set out in the staff collation or the submissions. The Board provided staff with directions for progressing the project, including the following:

- (a) the implementation guidance should indicate that the examples might apply by analogy to types of entities other than those explicitly illustrated in the examples, to partially address the concern expressed by some respondents to ED 238 that the examples in the proposed guidance do not cover certain types of entities;
- (b) to further address the concern noted in (a), an additional not-for-profit private sector entity example should be included to illustrate some control issues that are not illustrated in the other examples, following the approach in the ED of presenting clear examples rather than examples merely concluding that the control outcome would depend on the assessment of the circumstances;
- (c) a number of examples should be revised to be more helpful by emphasising the identification of the 'relevant activities' of the investee and the identification of the rights of various entities in relation to those activities, rather than simply providing a list of substantive and protective rights;
- (d) the statement that a State government normally would not have the power to direct the relevant activities of a local government deploying resources through an elected council should be retained;
- (e) the local government example does not need to be extended to include a further example of a case in which it is concluded that the local government is controlled by another government, because there is sufficient warning in the implementation guidance that decisions about control need to be based on an assessment of the particular facts and circumstances;
- (f) the guidance should be revised to acknowledge that rights specified in substantively enacted legislation would amount to substantive rights that need to be considered in assessing control of an entity if the rights are assessed as exercisable when decisions about the direction of the relevant activities need to be made (paragraph B24);
- (g) the guidance addressing delegation in the public sector should be reworded to clarify that a delegate acts in their own right and cannot be directed by the delegator (which had been the intended approach in ED 238);
- (h) the Basis for Conclusions should:
  - (i) indicate the Board's view, consistent with paragraphs BC96-BC97 of the Basis for Conclusions to the IASB's ED 10 *Consolidated Financial Statements*, that Ministerial rights to remove decision makers (e.g. delegates) are not a determinant of whether entities such as departments or statutory authorities control other entities;



- (ii) document certain issues raised by respondents that were debated but did not lead to changes to the proposed implementation guidance;
  - (iii) address whether the specific factors indicating control in the public sector set out in the superseded Standard AASB 127 *Consolidated and Separate Financial Statements* are consistent with the implementation guidance or have been superseded; and
  - (iv) explain the major reasons for differences from requirements of the Australian Charities and Not-for-profits Commission;
- (i) consistent with the AASB's policy of IFRS adoption, the applicability of the implementation guidance should continue to be limited to not-for-profit entities and not extended to for-profit entities in the public sector; and
- (j) additional guidance is not required in relation to the application of the guidance to reporting entities and general purpose financial statements, which is the applicability of AASB 10 *Consolidated Financial Statements*.

The Board decided that it generally supported staff recommendations as set out in the staff collation in respect of issues that were not explicitly discussed.

A pre-ballot draft of the revised authoritative implementation guidance will now be prepared by staff, with sweep issues (if any) to be addressed at the October meeting. The aim is to finalise the guidance shortly after the October meeting, for application to annual reporting periods beginning on or after 1 January 2014, as proposed in ED 238.

Action:	Staff
	Board members

## Insurance Contracts

Agenda item 14

The Board had before it:

- (a) a memorandum from Sue Lightfoot dated 20 August 2013 on IASB ED 2013/7 *Insurance Contracts* (agenda paper 14.1);
- (b) Preliminary views paper – ED 244 *Insurance Contracts* (incorporates IASB ED 2013/7 *Insurance Contracts*) (agenda paper 14.2);
- (c) (agenda paper 14.3 was not used);
- (d) a memorandum from Sue Lightfoot dated 20 August 2013 on ED 241 *Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders* (agenda paper 14.4); and



- (e) submissions received on ED 241 (agenda paper 14.5).

### **IASB ED/2013/7 Insurance Contracts**

The Board noted that IASB ED/2013/7 is due for comment to the IASB by 25 October 2013 and that AASB ED 244 is due for comment to the AASB by 27 September 2013.

The Board considered the feedback on the insurance contract proposals received so far from Australian constituents through targeted liaison and through a Roundtable conducted on 3 September 2013 via video-conference in Sydney and London involving a wide cross-section of Australian constituents, two AASB members and two AASB staff and four IASB members and three IASB staff.

The Board also noted the forthcoming roundtable to be conducted 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 and subject to the impact yet to be received, the Board tentatively decided to:

- (a) express overall support for the exposure draft proposals, including most of those matters on which comment is not formally being sought by the IASB;
- (b) support the proposal to remeasure the contractual service margin, including adjusting the margin in respect of the impact of changes in assumptions relating to future services and coverage;
- (c) note that there should be greater clarity around the services that might constitute the basis for the contractual service margin;
- (d) note that a potential improvement could be to treat the impact of changes in assumptions relating to risk associated with future coverage as adjustments to the risk margin. The Board noted that, in the course of the 3 September roundtable, IASB members had indicated a reason for not proposing such adjustments to the risk margin is that some insurers had informed the IASB that it would be impracticable to distinguish between the changes relating to past and future coverage – however, many of the Australian roundtable participants indicated that such a distinction can be reliably determined;
- (e) support the proposals regarding the ‘mirroring approach’ when contracts require the entity to hold underlying items and specify a link to returns on those items and noted, however, that there are some significant practical difficulties with applying this approach in some circumstances. In that context, the Board noted some of the complications that can arise on participating contracts;
- (f) support the proposals regarding the presentation of insurance contract revenue and expenses and noted, however, that there are some practical difficulties on which further guidance may be needed;
- (g) express very serious concerns about the proposal that the impact on insurance liabilities of discount rate changes between contract inception and the reporting date be presented in other comprehensive income (OCI) on the basis that:
  - (i) it would introduce yet another hybrid measurement model that presents related changes in values between OCI (discount rate changes) and profit or loss (all other value changes) in a



manner that has potential to obscure their relationships and is an apparent retrograde step to current Australian requirements and practice; and

- (ii) it would not be practicable to implement because of the issues associated with tracking discount rates that applied at inception to policies or portfolios of policies; and
- (h) support the proposals on transition, which involve retrospective application consistent with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The Board noted that it plans to finalise its submission at its October meeting, after considering any further feedback received from Australian constituents on ED/2013/7.

### **ED 241 Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders**

The Board considered the comment letters received on AASB ED 241 and decided to proceed with the proposals to delete paragraphs in AASB 1038 *Life Insurance Contracts* relating to determining the interests to be included in consolidation financial statements on the basis that AASB 10 *Consolidated Financial Statements* should be the sole standard dealing with consolidation. The Board also decided the amendments should apply (as proposed) to periods beginning on or after 1 January 2014.

The Board noted that it does not expect amendments to change current practice, given the current mix of insurance products on issue.

The Board noted that it will vote on making the amendments out-of-session.

Action:	Staff
	Board members

### **Withdrawal of AASB 1031 Materiality**

Agenda item 15

The Board had before it:

- (a) a memorandum from Evelyn Ling dated 20 August 2013 re Update on the responses to ED 243 *Withdrawal of AASB 1031 Materiality* (agenda paper 15.1); and
- (b) submissions 1 – 8 to the AASB on ED 243 *Withdrawal of AASB 1031 Materiality* (agenda paper 15.2; some submissions tabled).

The Board received an update on the submissions received on AASB ED 243 *Withdrawal of AASB 1031 Materiality*. The Board noted that most of the submissions on ED 243 were received subsequent to the preparation of agenda papers for the meeting, and that views in the submissions received seem to be mixed. Accordingly, the Board decided to consider the responses more fully at a future meeting. The Board also noted that it expects further information about the IASB's proposed project on materiality to be available after





the IASB meeting in September, and it will be useful to consider the comments on ED 243 in the context of information about the IASB's project.

Action: Staff

## **Tier 2 Supplement to ED 235 - Recoverable Amount Disclosures for Non-Financial Assets**

Agenda Item 16

The Board had before it:

- (a) a memorandum from Lisa Panetta (agenda paper 16.1); and
- (b) a submission received on Tier 2 Supplement to ED 235 (agenda paper 16.2);

The Board considered the submission received on Tier 2 Supplement to ED 235 *Recoverable Amount Disclosures for Non-Financial Assets* and the implications for Tier 2 disclosures arising from differences between the disclosures in ED 235 and Amending Standard AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*.

The Board decided to proceed to a ballot draft of an Amending Standard reflecting the Reduced Disclosure Requirements.

Action: Staff  
Board members

## **AASB Framework**

Agenda item 17

The Board had before it:

- (a) a memorandum from Evelyn Ling dated 20 August 2013 re Sweep issue arising on the revised AASB Framework (agenda paper 17.1);
- (b) extracts from the minutes of previous AASB Board meetings (agenda paper 17.2); and
- (c) an Issues Paper – Manner in which the 2010 IASB Chapters should be incorporated into the Australian Framework (agenda paper 17.3).

The Board considered how it would be best to incorporate the completed IASB Chapters (Chapter 1 *The objective of general purpose financial reporting* and Chapter 3 *Qualitative characteristics of useful financial information*) of the IASB's *Conceptual Framework for Financial Reporting* (issued by the IASB in September 2010) into Australian requirements. The Board discussed the accessibility of two proposed structures and, in anticipation of further revisions to the IASB Conceptual Framework, decided, as an interim approach:



- (a) to supersede, via an amending document, the corresponding paragraphs of the AASB *Framework for the Preparation and Presentation of Financial Statements* (AASB *Framework*) with the two Chapters – and thereby retain unamended the other parts of the AASB *Framework*;
- (b) that the Chapters, adapted as appropriate to address not-for-profit specific issues, would apply to both for-profit and not-for-profit entities;
- (c) that the draft not-for-profit guidance included in the third pre-ballot draft be considered in adapting the IASB Chapters for application by not-for-profit entities; and
- (d) that 'road signs' be included in the AASB *Framework* to direct users to the new Chapters.

The Board also considered existing terminology and other differences between the AASB *Framework* and the equivalent IASB document. In keeping with the limited nature of its proposed amendments, the Board decided not to make amendments to the AASB *Framework* to address these matters.

The Board directed staff to prepare a pre-ballot draft reflecting the Board's decisions at this Board meeting.

Action: Staff

## Close of Meeting

The Chairman closed the meeting at approximately 4.30 pm. on Thursday 5 September 2013.

## Approval

Signed by the Chairman as a correct record  
this twenty-third day of October 2013