



**Subject:** Minutes of the 137<sup>th</sup> meeting of the AASB  
**Venue:** Ken Spencer Room, AASB offices  
Level 7, 600 Bourke St, Melbourne  
**Time(s):** Tuesday 8 April 2014 from 9.00 a.m. to 4.45 p.m.  
Wednesday 9 April 2014 from 8.30 a.m. to 12.00 p.m.

All agenda items except items 1(a), 6 and 10 were discussed in public.

## Attendance

Members	Kevin Stevenson (Chairman) Ian McPhee (Deputy Chair) (day 1) John O'Grady (Deputy Chair) Peter Carlson Anna Crawford Michele Embling (day 1) Regina Fikkers Peter Gibson Steve Mitsas Carmen Ridley Brett Rix Taryn Rulton Marc Smit Ann Tarca
Apologies	Ian McPhee (day 2) Michele Embling (day 2)
In Attendance:	
Staff	Mitchell Bryce (in part) Nikole Gyles Robert Keys (in part) Sue Lightfoot (in part) Evelyn Ling (in part) Christina Ng (in part) Lisa Panetta Joanna Spencer (in part) Angus Thomson (in part)

## Agenda and Declaration of Interests

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 such matters arose in this meeting.



## Chairman's Report

### *Staff Papers*

The Chairman noted that two staff papers have been issued:

- (a) *To Disclose or Not to Disclose: Materiality is the Question*. The Chairman noted that this paper has been very well received; and
- (b) *Transitioning to and between Tiers of General Purpose Financial Reporting*. This paper addressed the transitioning to and between tiers of General Purpose Financial Reporting to support ED 248 *Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements*.

### *IFRS 3 Post-Implementation Review Forum*

The Chairman noted that the AASB will be holding an IFRS 3 Post-Implementation Review Forum on 29 April.

### *IPSASB Governance Review*

The Chairman noted that the AASB had finalised its submission on the IPSASB Governance Review. The Chairman further noted that the AASB had shared the draft submission with the FRC and had provided input into the FRC's submission. Both submissions, developed through separate processes, arrived at the same view. They argue for IFRS governance and oversight arrangements to be extended to embrace IPSASB (Option 1), but can accept the IFAC option (Option 2) as a temporary measure.

### *Professor Colin Ferguson*

The Chairman noted the sad passing of Professor Colin Ferguson on 18 March.

### *Speech by Lynn Wood*

The Chairman noted that Lynn Wood, Chairman of the Financial Reporting Council, had delivered a speech at the CFO Summit on the 17-18 March 2014. The speech was titled *Upholding Transparency: Telling Your Story through Effective Financial Reporting*.

### *Upcoming Events*

The Chairman noted the upcoming events including the IFRS Foundation Trustees Dinner on Wednesday 9 April and the IFRS Foundation Trustees Meeting on Thursday 10 April. The Chairman noted at this meeting he will present 'a regional perspective on the state of play in Asia Oceania of the IFRS, IASB and of the Trustees'. In addition, the Chairman noted that the Ken Spencer Memorial Lecture is also being held on Thursday 10 April and that Hans Hoogervorst, Chairman of the IASB, will be presenting at this lecture.



## Apologies, Minutes and Approvals Out of Session

Agenda Item 2

### Apologies

Apologies were noted for Ian McPhee and Michele Embling for day 2 of the meeting.

### Minutes

The Board approved the minutes of the one hundred and thirty-sixth meeting held on 13 February 2014.

### Approvals Out of Session

The Board had before it a memorandum from Lisa Panetta dated 24 March 2014 re Voting Summary – Board only (agenda paper 2.2).

The Board noted that since the last Board meeting (13 February 2014), the Board has approved out-of-session AASB ED 248 *Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements*.

In addition, Invitation to Comment ITC 30 *Request for Comment on IASB Request for Information on Post-implementation Review of IFRS 3 Business Combinations* was approved under the Board's policy of delegated authority for the Chairman to issue an IASB document where there is no significant additional Australian material.

### Other Business

Agenda Item 3

The Board noted:

- (a) Memorandum from Lisa Panetta and Nikole Gyles dated 24 March 2014 re AASB Work Program – Standard Setting Directorate (agenda paper 3.1);
- (b) AASB Standard Setting Work Program and Meeting Pipeline as at 24 March 2014 (agenda paper 3.1.1) [Board only];
- (c) AASB Research Centre Work Program as at 24 March 2014 (agenda paper 3.1.2) [Board only];
- (d) AASB Sub-committee membership as at 24 March 2014 (agenda paper 3.2) [Board only];
- (e) AASB Communication Report dated 29 January – 24 March 2014 (agenda paper 3.3) [Board only];
- (f) CCAB Press release dated 25 February 2014 re CCAB welcomes first authoritative study into international financial reporting standards for NPOs (agenda paper 3.4);
- (g) Comment letters received on ED 246 *Equity Method in Separate Financial Statements* [sub 5] (agenda paper 3.5);
- (h) Comment letters received on ED 247 re *Annual Improvements to IFRSs 2012-14 Cycle* [subs 1-3] (agenda paper 3.6);



- (i) Letter from AASB Chairman to IFRS Interpretations Committee Chairman dated 20 February 2014 re Tentative agenda decision - IFRS 3 *Business Combinations* - identification of the acquirer in accordance with IFRS 3 and the parent in accordance with IFRS 10 *Consolidated Financial Statements* in a stapling arrangement (agenda paper 3.7);
- (j) Letter from AASB Chairman to Ronnie Downes, Deputy Head of Division Public Governance and Territorial Development Directorate, Budgeting and Public Expenditures Division, OECD dated 13 February 2014 re *Draft Principles of Budgetary Governance* (agenda paper 3.8);
- (k) Letter from AASB Chairman to IPSASB Technical Director dated 14 February 2014 re IPSASB Exposure Draft 53 *First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)* (agenda paper 3.9);
- (l) Letter from AASB Chairman to IASB Chairman dated 12 March 2014 re IASB ED/2013/11 *Annual Improvements to IFRSs 2012-2014 Cycle* (agenda paper 3.10);
- (m) Letter from AASB Chairman to IPSASB Technical Director dated 13 March 2014 re IPSASB EDs 48-52 *Interests in Other Entities* (agenda paper 3.11);
- (n) Letter from AASB Chairman to IFRS Interpretations Committee Chairman dated 14 March 2014 re Tentative agenda decision - IAS 32 *Financial Instruments: Presentation* – accounting for a financial instrument that is mandatorily convertible into a variable number of shares subject to a cap and a floor (agenda paper 3.12); and
- (o) Letter from Kevin Stevenson to David Morris MP re: ACPAC liaison in relation to financial reporting requirements dated 31 March 2014 (tabled agenda paper 3.13).

## IFRS Interpretations Committee

### Agenda Item 4

The Board had before it:

- (a) a memorandum from Nikole Gyles and Mitchell Bryce dated 24 March 2014 re IFRS Interpretations Committee Update (agenda paper 4.1);
- (b) an issues paper – AASB staff summary of IFRS IC decisions March 2014 (tabled agenda paper 4.2); and
- (c) IFRIC Update March 2014 (tabled agenda paper 4.3).

The Board received an update on the 25 March 2014 IFRS Interpretations Committee (Committee) meeting.

The Board noted the Committee's tentative agenda decision in relation to the issue of IAS 1 *Presentation of Financial Statements*—disclosure requirements relating to assessment of going concern. The Board noted the diversity in views as to whether and when going concern disclosures are required and will monitor any future issues arising in relation to disclosure requirements for the assessment of a going concern.



The Board also noted the current agenda item in relation to IAS 12 *Income Taxes*—recognition of deferred tax assets for unrealised losses. Although agreeing with the underlying principle giving rise to the proposed amendment, the Board expressed concern in relation to the proposed wording of the amendment. Accordingly, the Board asked AASB staff to raise these concerns with Committee staff.

Action: Staff

## Emerging Issues

Agenda Item 5

### Disclosure Initiative and related IAS 1 projects

Agenda Item 5.1

The Board had before it a memorandum from Lisa Panetta dated 8 April 2014 re IASB's Disclosure Initiative and Current/non-current Classification of Liabilities: Project Update (tabled agenda paper 5.1);

The Board received an update on the recent tentative decisions made by the IASB in its Disclosure Initiative and related IAS 1 *Presentation of Financial Statements* projects.

The Board noted the tentative decisions made by the IASB discussed at the IASB March 2014 meeting in relation to the following projects:

- (a) Amendments to IAS 1 and the issuance of the AASB Exposure Draft ED 249 *Disclosure Initiative (Proposed amendments to AASB 101)*, which incorporates the IASB issued IASB Exposure Draft ED/2014/1 *Disclosure Initiative*;
- (b) Materiality;
- (c) Changes in debt (net debt); and
- (d) IAS 1 *Presentation of Financial Statements* – current/non-current classification of liabilities.

The Board expressed concern in relation to the IASB's decision to proceed with the proposals to add disclosures relating to net debt. Despite these concerns the Board decided there were no issues that ought to be raised with the IASB at this stage of the projects.

### AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*

Agenda Item 5.2

The Board noted that the AASB staff had received a number of recent queries relating to the Interpretation, including whether for-profit public sector entities within the scope of the Interpretation are able to claim compliance with IFRSs and whether the scope of the Interpretation should be aligned with that of AASB 1004 *Contributions*. The Board noted that the Board had previously decided to reconsider the Interpretation once staff resources become available. The Board decided that this should commence once



the forthcoming Income from Transactions of NFP Entities project (which replaces a substantial part of AASB 1004) is finalised.

Action: Staff

## International Meetings Update

### Agenda Item 7

The Board had before it:

- (a) a memorandum from Sue Lightfoot dated 24 March 2014 re International Meetings Debrief (agenda paper 7.1);
- (b) Agendas for the ASAF, IFASS, AOSSG and Regional Policy Forum meetings held in March 2014 (agenda paper 7.2);
- (c) IFASS Agenda Paper 7.3 re: Hedge Accounting [For Information] (agenda paper 7.3); and
- (d) Regional Policy Forum Paper from Kevin Stevenson re: A New Approach to Lease Accounting [For information] (agenda paper 7.4).

The Board received a report on the following international meetings held in March 2014 attended by AASB representatives:

- Accounting Standards Advisory Forum – IASB (ASAF);
- International Forum of Accounting Standard Setters (IFASS);
- Asian-Oceanian Standard-Setters Group (AOSSG) Interim Meeting; and
- Regional Policy Forum (RPF).

The Board noted:

- (a) at the ASAF meeting the topics of discussion included the Conceptual Framework, Lease Accounting, Insurance Contracts, the Disclosure Initiative, Rate Regulation and the Equity Method.
- (b) at the IFASS meeting a range of topics was discussed including:
  - the criteria used by the IFRS Interpretations Committee for potential agenda items and the criteria for the IASB for annual improvements;
  - the role of the 'business model' in financial reporting;
  - goodwill and impairment;
  - an IPSASB update;
  - IAS 19 *Employee Benefits* discount rate issues;
  - application issues of IFRS 11 *Joint Arrangements*;
  - macro hedge accounting (presented by AASB staff);



- reporting cash flow information; and
- how capital providers use financial information.

(c) at the RPF meeting a presentation, *Leasing – A New Approach?* was given by AASB staff.

## Annual Improvements

Agenda Item 8

The Board had before it:

- a memorandum from Mitchell Bryce and Evelyn Ling dated 24 March 2014 re Annual Improvements to IFRSs (2010-2012 and 2011-2013 cycles) (agenda paper 8.1);
- an issues paper – Analysis of IASB Annual Improvements to IFRSs (tabled agenda paper 8.2);
- IASB *Annual Improvements to IFRSs 2010-2012 Cycle* (agenda paper 8.3) [board only]; and
- IASB *Annual Improvements to IFRSs 2011-2013 Cycle* (agenda paper 8.4) [board only].

The Board received an update on the IASB Annual Improvements 2010-2012 and 2011-2013 Cycles.

The Board decided to allow Tier 2 relief in respect of the amendments to AASB 8 *Operating Segments* to be consistent with the existing reduced disclosure requirements in the Standard. The Board also decided to raise again its concerns regarding the definition of a business as part of its response to the IASB's Post-implementation Review of IFRS 3 *Business Combinations*.

Action:	Staff
	Members

## Insurance Contracts

Agenda Item 9

The Board had before it:

- a memorandum from Sue Lightfoot dated 24 March re: Insurance Contracts Project Update (tabled agenda paper 9.1); and
- Insurance – Project Update (agenda paper 9.2).

The Board received an update on recent tentative decisions made by the IASB on its Insurance Contracts project.

The Board noted the tentative decisions the IASB made at its March 2014 meeting. Other than its concern noted below, the Board strongly supports the tentative decisions made by the IASB concerning unlocking the contractual service margin and recognising the effects of changes in the discount rates in other comprehensive income.

The Board decided to write to the IASB concerning the IASB's tentative decision to require disclosure of the difference between the present value of changes in expected cash flows that adjust the contractual service margin in a reporting period when measured using discount rates that applied on initial recognition of



insurance contracts, and the present value of changes in expected cash flows that adjust the contractual service margin when measured at current rates, for all portfolios of insurance contracts. The Board agreed to finalise the letter out-of-session via the Chairman.

The Board expressed concern that although, based on the IASB's tentative decisions, entities would be able to choose to present changes in the measurement of insurance contract liabilities in profit or loss, the disclosure requirements would still require the discount rate at inception of insurance contracts to be tracked for disclosure purposes. Systems and processes would therefore need to be in place to capture the amount. The AASB also expressed concern that such disclosure is inconsistent with the recognition and measurement accounting policy of an entity that chooses to recognise the amount in profit or loss.

Action: Staff  
Chairman

## Equity Method: Share of Other Net Asset Changes

### Agenda Item 11

The Board had before it:

- (a) a memorandum from Christina Ng dated 24 March 2014 re: Equity Method: Share of Other Net Asset Changes – Project Update (agenda paper 11.1);
- (b) EFRAG paper *Concerns in relation to IASB Tentative Decisions on ED/2012/3 Equity Method: Share of Other Net Asset Changes* (agenda paper 11.2).

The Board received an update on the progress of the IASB's project in relation to Exposure Draft ED/2012/3 *Equity Method: Share of Other Net Asset Changes*. In particular, the Board noted that the IASB has reconsidered its proposed amendments in ED/2012/3 and, at its February 2014 meeting, tentatively decided to proceed with finalising the proposed amendments to provide a short-term solution to the diversity in practice. This tentative decision reverses the IASB's previous tentative decision from its October 2013 meeting to not proceed with the proposed amendments due to the lack of support for the proposals.

The Board also noted that the European Financial Reporting Advisory Group (EFRAG) is tentatively scheduled to present a further alternative approach to the IASB's proposed amendments in ED/2012/3 at the IASB's June 2014 ASAF meeting.

The Board directed AASB staff to analyse EFRAG's alternative approach before the Board decides whether to write to the IASB to reiterate its concerns on the proposed amendments in ED/2012/3.

Action: Staff

## Financial Instruments

### Agenda Item 12

The Board had before it a memorandum from Sue Lightfoot dated 24 March 2014 re Financial Instruments Project Update (agenda paper 12.1).





## *Project update*

The Board received an update on the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* with IFRS 9 *Financial Instruments* in relation to the amendments proposed in IASB ED/2012/4 *Classification and Measurement: Limited Amendments to IFRS 9* and IASB ED/2013/3 *Financial Instruments: Expected Credit Losses*.

At its February 2014 meeting the IASB concluded that it had completed its due process and requested its staff to prepare a ballot draft. The IASB work plan as at 26 March 2014 identifies that it is targeting issuance of a complete IFRS 9, including amendments on classification and measurement and impairment, in Q2 of 2014.

The Board decided there were no further issues that need to be raised with the IASB at this stage.

## *Application date*

Consistent with the IASB's tentative decision in its February 2014 meeting to make IFRS 9 applicable for reporting periods beginning on or after 1 January 2018, the Board decided to amend the application date of AASB 9 to also be applicable from 1 January 2018.

## *Paragraph 21B of AASB 7 Financial Instruments: Disclosures*

At its February 2014 meeting the AASB decided to delete paragraph 21B of AASB 7. Paragraph 21B concerns incorporation of information outside the financial statements by cross-reference. The deletion was intended to result in consistency with paragraph B6 of AASB 7, which was previously deleted from AASB 7.

However, the Board noted that the first sentence of paragraph 21B to present disclosures 'in a single note or separate sections in...financial statements' is not repeated in paragraph B6.

On this basis, the Board decided to retain the first sentence of paragraph 21B of AASB 7 and only delete the second and third sentences of paragraph 21B from AASB 7. In addition, the Board decided that AASB staff should write to IASB staff to express concerns more generally about the IASB's inclusion in its Standards of paragraphs relating to cross-referencing of information outside of the financial statements.

## *Consequential amendments*

The Board considered the replacement amendments arising from procedural issues concerning repealed Standards that are to be made through the next amending Standard, to apply mandatorily to annual reporting periods beginning on or after 1 January 2018 (refer to Application Date above), with early application permitted.

Action:

Staff



## Leases

### Agenda Item 13

The Board had before it:

- (a) a memorandum from Nikole Gyles dated 24 March 2014 re: Leases – Project update (agenda paper 13.1);
- (b) a staff issues paper re: Leases – Project Update (tabled agenda paper 13.2);

The Board received an update on recent IASB and FASB tentative decisions in their joint project to develop a Standard on leases. The Board continued to express strong support for the recognition of leases on balance sheet and welcomed the IASB's tentative decision to apply a single model for lessee accounting. However, the Board also expressed concern in relation to a number of the IASB's tentative decisions, in particular, the IASB's tentative decisions to introduce further exceptions to the lease model relating to leases of small assets (i.e. assets that are individually small in value and non-specialised). Despite these concerns, the Board did not consider that there were any further issues to be raised with the IASB regarding these decisions at this stage and will continue to monitor the progress of the project.

## Service Performance Reporting

### Agenda Item 14

The Board had before it:

- (a) a memorandum from Joanna Spencer and Robert Keys dated 24 March 2014 re IPSASB ED 54 *Reporting Service Performance Information* and the AASB's project on Service Performance Reporting (agenda paper 14.1);
- (b) AASB Staff Issues Paper on IPSASB ED 54 *Reporting Service Performance Information* (agenda paper 14.2);
- (c) IPSASB 'At a Glance' Document on ED 54 *Reporting Service Performance Information* (agenda paper 14.3);
- (d) IPSASB ED 54 *Reporting Service Performance Information* (agenda paper 14.4); and
- (e) AASB Staff Issues Paper 'Future Directions of the AASB's Service Performance Reporting Project' (agenda paper 14.5).

In relation to agenda paper 14.2, the Board considered the key issues to raise in its submission on IPSASB ED 54, which is a Proposed Recommended Practice Guideline (RPG) written in the context of the IPSASB's Conceptual Framework and its suite of pronouncements. Within that context, subject to consideration of any comments that might be forwarded to the Board from AASB constituents, consistent with the AASB staff views in agenda paper 14.2, the Board decided to express broad agreement with many of the specific proposals in the ED. However, it also decided to suggest a number of improvements, the more substantive of which include:



- (a) the RPG should make clear that the service performance information an entity should provide should be driven by the entity's objectives. Therefore, if information about aspects of service performance, (for example, obtaining resources, achieving outcomes, disaggregation of costs, and progress towards long-term objectives) is determined to be relevant to users for assessing an entity's achievement of its objectives, then that information should be disclosed (rather than merely encouraged to be disclosed). Consistent with this, the RPG should also better articulate principles for framing objectives in terms of outputs and outcomes;
- (b) despite its non-mandatory status, the RPG should aim to strike a better balance between improvements to the quality of service performance reporting practices and the costs entities might incur to make such improvements. The Board decided to comment that, allowing entities to perform their own cost benefit assessments of information to be included and still claim compliance with the RPG was unconventional and would not prove to be robust (see paragraph 38 of agenda paper 14.2); and
- (c) the RPG should aim to better articulate the principles for and the circumstances in which 'quantitative measures' or 'qualitative measures' or 'qualitative descriptions' about outputs and outcomes might be most suitable, individually or in combination. The term 'descriptions' is preferable to 'discussions' as the latter term is more suited to the context of Management Discussion and Analysis rather than Service Performance Reporting.

More specifically, in addition to other AASB staff comments in agenda paper 14.2, the Board decided the following issues should be raised in the comment letter:

- (a) whilst acknowledging the reasons for scoping out GBEs, IPSASB could consider, perhaps in due course, providing guidance for GBEs providing service performance information about their non-commercial operations, such as their performance in fulfilling community service obligations;
- (b) any RPG on service performance should address the obtaining of resources. The Board considers this is an important aspect of service performance reporting and should be reported on, particularly as the ED discusses the impact of resource availability on achieving service performance objectives, and is a relevant aspect for at least some entities that would be subject to the RPG;
- (c) the proposed definition of 'effectiveness' should be amended to 'effectiveness is the relationship between service performance objectives and outputs or outcomes', to more directly link service performance objectives to outputs and outcomes;
- (d) disaggregated costs should be disclosed on a basis that is relevant to users for their understanding, for example on the same basis as management organise and run projects. [The Board noted that the AASB project on superannuation entities has addressed similar issues in relation to information pertinent to Management Expense Ratios and decided its submission should suggest the IPSASB could use something similar (see paragraph 14 of agenda paper 14.2)];



- (e) the term 'society' in the proposed definition of 'outcomes' should be explained in a way that it is more than a collective term and that it encapsulates individuals and/or individual groups and is not exclusively society as a whole;
- (f) the proposed definition of 'outcomes' inappropriately states that the mere existence of an entity can be an outcome for that entity. The Board considers that the existence of an entity controlled by a government should only be regarded as an outcome from a whole of government perspective and not from the entity's own perspective. This is because it is the activities of an entity that leads to that entity's performance – an entity's impact from its mere existence without activity should not be attributed to the entity itself. Therefore, this definition needs to be altered or clarified;
- (g) the RPG should provide more clarity around the boundary of any risk trade-off discussion (see paragraph 76 of IPSASB ED 54) – for example, what sort of information is expected to be disclosed. The Board noted that the complexity of risk trade-off decisions might be more complex than could be usefully conveyed in the type of report envisaged in the ED;
- (h) an illustrative example or best practice guide should accompany the RPG, to illustrate what a service performance report may look like; and
- (i) the term 'important', used in paragraph 46 of the ED in the context of an entity's services, lacks context, and should be replaced by a phrase along the lines of 'services that are key in achieving or delivering an entity's objectives'.

Some Board members also queried whether the guidance on materiality in paragraph 36 of the ED is sufficient within the context of service performance reporting, despite this wording being consistent with that in the IPSASB Conceptual Framework.

The Board decided that the comment letter to the IPSASB should be finalised through the Service Performance Reporting subcommittee.

In relation to agenda paper 14.5, the Board noted the progress being made on its own Service Performance Reporting research project, and considered whether IPSASB ED 54 provides a suitable basis for accelerating that project. The Board also noted that the New Zealand Accounting Standards Board (NZASB) is developing a standard on service performance reporting. The Board decided that IPSASB ED 54, in combination with the AASB staff's research to date and the NZASB's work, would provide a sound basis for reorienting its work from 'green fields' research to developing an AASB ED of a proposed Standard. However, the Board decided that its own work should not be tied to the IPSASB processes. The Board also decided that the project should include within its scope both public sector and private sector not-for-profit entities.

Action:	Staff
	Sub-committee



## Superannuation Entities

### Agenda Item 15

The Board had before it:

- (a) a memorandum from Angus Thomson dated 24 March 2014 (agenda paper 15.1);
- (b) formal submissions received on the Draft AASB 105X *Superannuation Entities* for fatal flaw review (agenda paper 15.2);
- (c) marked-up Draft AASB 105X *Superannuation Entities* (agenda paper 15.3); and
- (d) a memorandum from Angus Thomson dated 2 April 2014 (tabled agenda paper 15.4).

The Board noted that no fatal flaws were identified as a result of making Draft AASB 105X available for public comment from 20 December 2013 to 28 February 2014. However, in response to the feedback received, the Board decided to:

- (a) limit the requirement to disclose revenue and expense items related to any insurance contract liabilities and assets to those associated with defined contribution members. The Board considered that the limitation is warranted because:
  - (i) depending on the conditions set out in the relevant trust deed, defined benefit members or beneficiaries might be able to elect to take benefits in a number of different forms, some of which expose the entity to insurance risk and some that do not; and
  - (ii) those promises are highly inter-related and, accordingly, identifying particular components of the liability or movements in the liability as relating to insurance contracts would not provide useful information;
- (b) retain the Draft AASB 105X definitions for 'defined benefit member' and 'defined contribution member', and to explain that the AASB does not expect there to be any difference between those members identified as being either defined contribution members or defined benefit members based on definitions in this Standard and those members identified as being either defined contribution members or defined benefit members based on the defined benefit member definition under prudential regulation;
- (c) retain the use of the term 'superannuation entity' to identify the entities to which the Standard applies because it remains the most appropriate term in light of the fact that the other most likely alternative terms, such as 'plan' and 'fund', are often used to refer to parts of the superannuation reporting entity. The Board noted the concerns expressed by some constituents that the same term is used in the *Superannuation Industry (Supervision) Act 1993* (SIS Act) with a different meaning, and decided to clearly identify in Application Guidance the key differences between the meaning of the term used in the Standard and its SIS Act meaning; and
- (d) add clarification that the investment returns relevant to measuring a defined benefit member liability could relate to a portfolio of instruments that are expected to yield either contractual or non-



contractual net cash inflows that match the timing of expected net cash outflows relating to the liability. This was in response to concerns expressed by some constituents that the measurement principle could be read as being focused only on a portfolio of instruments expected to yield matching contractual net cash inflows.

The Board decided to make the other changes suggested by staff in agenda papers 15.1 and 15.3 in response to constituent feedback on Draft AASB 105X on the basis that they are largely clarifications or are editorial in nature.

The Board noted the changes on which it has decided may, in turn, lead to limited changes to the Basis for Conclusions to the Standard.

The Board noted that the intention is for the Board sub-committee to review a revised draft of AASB 105X in April and that all members should receive a ballot draft of the Standard, together with a Regulation Impact Statement, for making out-of-session in May.

Action:	Staff
	Sub-committee
	Members

## IPSASB

### Agenda Item 16

The Board had before it:

- (a) a memorandum from Joanna Spencer dated 24 March 2014 re IPSASB Report – March 2014 meeting (agenda paper 16.1);
- (b) Report on the IPSASB March 2014 meeting from the NZ IPSASB Member (tabled agenda paper 16.2); and
- (c) IPSASB Meeting Highlights – March 2014 (tabled agenda paper 16.3).

The Board received a report on the March 2014 meeting of the IPSASB, particularly noting the following:

- (a) the IPSASB continued discussions on the elements and recognition chapter of its Conceptual Framework and decided not to define 'deferred inflows' and 'deferred outflows' as elements but would acknowledge that there are:
  - (i) interactions and events that give rise to economic phenomena that do not meet the definition of any of the elements; and
  - (ii) such economic phenomena may need to be recognised in the financial statements in order to meet the objectives of financial reporting.
- (b) the IPSASB continued discussions on the measurement chapter of the Conceptual Framework and confirmed the measurement objective as follows:



To select those measurement bases that most fairly reflect the financial capacity, operational capacity and cost of services of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes.

- (c) the IPSASB discussed a draft consultation paper on its proposed strategy from 2015 onwards. This consultation document has now been issued by the IPSASB for comment by 31 July 2014.
- (d) IPSASB projects on social benefits and government business enterprises and public sector specific financial instruments are continuing.

## **Close of Meeting**

The Chairman closed the meeting at 12.00 p.m. on Wednesday 9 April 2014.

## **Approval**

Signed by the Chairman as a correct record  
this twenty-eighth day of May 2014