



Subject: Minutes of the 142nd meeting of the AASB
Venue: Ken Spencer Room, AASB offices
Level 7, 600 Bourke St, Melbourne
Time(s): Wednesday 17 December 2014 from 9.30 a.m. to 4.55 p.m.
Thursday 18 December 2014 from 9.00 a.m. to 12.00 p.m.

All agenda items except Agenda and Declarations of Interest and Review were discussed in public.

Attendance

Members
Kris Peach (Chair)
Ian McPhee (Deputy Chair)
John O'Grady (Deputy Chair)
Peter Carlson
Anna Crawford (apology from 9.00am to 10.00am day 2)
Kimberley Crook
Regina Fikkers
Peter Gibson
Steve Mitsas
Carmen Ridley
Brett Rix
Taryn Rulton
Marc Smit
Ann Tarca

In Attendance:
Staff
Clark Anstis (in part)
Glenn Brady (in part)
Mitchell Bryce (in part)
Nikole Gyles
David Ji (in part)
Kala Kandiah (in part)
Sue Lightfoot (in part)
Evelyn Ling (in part)
Lisa Panetta
Jim Paul (in part)
Joanna Spencer (in part)

Agenda and Declaration of Interests

Declarations of Interest

Agenda Item 1(a)

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.



Agenda item 1(b)

The Board had before it:

- (a) a memorandum from Angus Thomson dated 24 November 2014 (agenda paper 1(b)-1) [board only];
- (b) a letter from the Australian Public Service Commissioner to Kevin Stevenson (former Chair) dated 10 September 2014 (agenda paper 1(b)-2) [Board only]; and
- (c) a draft AASB form for declarations of interests (agenda paper 1(b)-3) [Board only].

Board members noted that they will be receiving the Office of the AASB *Code of Conduct* together with declarations of interests forms to complete early in the new year.

Chair's Report

Board Member Changes

The Chair noted that three Board members were retiring from the Board as of 31 December 2014: Mr. Ian McPhee, Mr. John O'Grady and Mr. Brett Rix. The Chair thanked them for their valuable contributions.

The Chair further noted that three new Board members will be commencing on the Board on 1 January 2015: Mr. Mike Blake, Mr. Andrew Kearnan and Ms. Megan Wilson. In addition, the Chair noted that Ms. Carmen Ridley has been reappointed as an AASB member for a second term.

AASB Strategy Session

The Chair noted that the Board will be conducting a strategy session shortly to establish the strategic plan of the AASB. The AASB Strategic Plan sets out the 5 year strategic plan of the AASB. This will be conducted as a closed session.

AASB Education Session

The Chair noted an education session will be held on Tuesday 10 February noting it will be a closed session.

Office of Best Practice Regulation

Angus Thomson provided an update on the outcome with OBPR regarding the Revenue Impact Statement (RIS) for the Revenue standard and the Financial Instruments standard.

FRC Meeting

The Chair provided the Board with an update on the FRC meeting held on 21 November 2014.

International Meetings

The Chair provided the Board with an update on the international meetings she has attended: Asian-Oceania Standard-Setters Group (AOSSG), Accounting Standards Advisory Forum (ASAF) and New Zealand Accounting Standards Board. The Chair noted the key issues discussed.

New Zealand

The NZASB Chair, Kimberley Crook, reported on key developments in New Zealand.



IASB Research Forum

The Chair noted the IASB Research Forum that will be held in Hong Kong on 11 October 2015 with the theme *Consequences of IFRS for Capital Markets, Managers, Auditors and Standard-setters*. Ann Tarca provided the Board with further details on the forum.

Other

The Chair also noted:

- (a) specific thanks to Angus Thomson for stepping in as Acting Chair;
- (b) staff movements:
 - (i) Christina Ng's last day with the AASB will be 31 December 2014 and Sue Lightfoot's last day with the AASB will be 30 January 2014. The Chair thanked both staff members for their valuable contributions; and
 - (ii) a new project manager, Daen Soukseun will be joining the AASB on 19 January 2015.
- (c) AASB Christmas closure, noting the AASB will be closed from 12pm Wednesday 24 December 2014 and will reopen on Monday 5 January 2015.

Apologies, Minutes and Approvals Out of Session

Agenda Item 2

Apologies

An apology was noted for Anna Crawford from 9.00am until 10.00am on day 2 of the meeting.

Minutes

The Board approved the minutes of the one hundred and forty-first meeting held on 22-23 October 2014.

Approvals Out of Session

The Board had before it a memorandum from Lisa Panetta dated 2 December 2014 re Voting Summary [Board only] (agenda paper 2.2).

The Board noted that from 7 October 2014 there have been no pronouncements issued that have required Board out-of-session voting. In addition, the Board noted that Exposure Draft ED 257 *Classification and Measurement of Share-based Payment Transactions* was issued under the Board's policy of delegated authority for the Chair to issue the IASB Exposure Draft ED/2014/5 *Classification and Measurement of Share-based Payment Transactions*. Comments are due by 25 February 2015 to the AASB and 25 March 2015 to the IASB.



Other Business

Agenda Item 3

The Board noted:

- (a) Memorandum from Nikole Gyles dated 2 December 2014 re AASB Work Program – Standard Setting Directorate (agenda paper 3.1);
- (b) AASB Standard Setting Work Program and Meeting Pipeline as at 2 December 2014 (agenda paper 3.1.1) [Board only];
- (c) Memorandum from Evelyn Ling and Nikole Gyles dated 2 December 2014 re Extending Related Party Disclosures to Not-for-Profit Public Sector Entities – Project Update (agenda paper 3.1.2);
- (d) AASB Sub-committee Membership as at 2 December 2014 (agenda paper 3.2) [Board only];
- (e) Memorandum from Mitchell Bryce dated 2 December 2014 re December 2014 Stakeholder Liaison and Communications Report Highlights (agenda paper 3.3) [Board only];
- (f) *AASB Stakeholder Liaison and Communications Report* 8 October 2014 – 2 December 2014 (agenda paper 3.3.1) [Board only];
- (g) Letter from IFRS to AASB Acting Chair dated 24 October 2014 re ASAF Membership (agenda paper 3.4);
- (h) Submissions on ITC 31 *Accounting for Dynamic Risk Management: A Portfolio Revaluation Approach to Macro Hedging* [subs 6–8] (agenda paper 3.6);
- (i) Submission on ED 256 *Removal of cross references from financial statement to other documents* [sub 1-9] (agenda paper 3.7);
- (j) Letter from Central NSW Councils to AASB Acting Chair dated 23 October 2014 (agenda paper 3.8);
- (k) AASB Comment Letter to IFRS IC dated 24 October 2014 re Tentative Agenda Decision for IFRIC 21 *Levies* (agenda paper 3.9);
- (l) Letter from IFRS Foundation to AASB Acting Chair dated 24 October 2014 re ASAF Membership (agenda paper 3.10);
- (m) KPMG publication dated October 2014 *Cutting the Clutter* (agenda paper 3.11);
- (n) Memorandum from Angus Thomson dated 2 December 2014 re Research Centre activities update (agenda paper 3.12);
- (o) Memorandum from Ahmad Hamid-Ravari dated 2 December 2014 re Emissions Reduction Fund – An Update (agenda paper 3.13);
- (p) Letter from AASB Chair dated 28 November 2014 to IASB Chairman re IASB Discussion Paper DP/2014/1 *Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging* (agenda paper 3.14); and



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- (q) Report on International Forum of Accounting Standard-Setters (IFASS) – 30 September – 1 October 2014 (agenda paper 3.15).

IFRS Interpretations Committee and Revenue Transition Resource Group

Agenda Item 4

The Board had before it:

- (a) a memorandum from Nikole Gyles and Mitchell Bryce dated 2 December 2014 re IFRS Interpretations Committee Update (agenda paper 4.1);
- (b) AASB staff issues paper – AASB Staff Summary of IFRS IC Decisions November 2014 (agenda paper 4.2);
- (c) *IFRIC Update* November 2014 (agenda paper 4.3); and
- (d) a memorandum from Glenn Brady dated 2 December 2014 re Revenue TRG Update (agenda paper 4.4).

The Board considered recent developments at the IFRS Interpretations Committee (Committee) and Revenue Transition Resource Group (TRG), including:

- (a) the outcomes of the 11 November 2014 IFRS Interpretations Committee meeting and recent AASB staff responses to Committee staff outreach requests; and
- (b) the IFRS 15 *Revenue from Contracts with Customers* implementation issues that have been discussed by the IASB / FASB TRG at both meetings held in 2014.

Although the Board expressed some concern in relation to some of the decisions made by the Committee, the Board decided not to raise any issues with the Committee or TRG at this stage.

Emerging Issues

Agenda Item 5

The Board had before it:

- (a) a memorandum from Evelyn Ling dated 11 December 2014 re forthcoming amendments to AASB 134 *Interim Financial Reporting* (agenda paper 5.1); and
- (b) ED 256 *Removal of Cross-References from Financial Statements to Other Documents* subs 1–9 (agenda paper 3.7).

The Board considered feedback received on ED 256 *Removal of Cross-References from Financial Statements to Other Documents* in respect of the Board's proposed policy to not include in Australian Accounting Standards any IFRS text that mentions that an entity could disclose information specified by Accounting Standards by cross-reference from the general purpose financial statements. The Board also considered further whether there is a specific regulatory impediment in Australia to allowing information to be provided by cross-reference from general purpose financial statements and, based on advice from the staff



of the regulator, concluded that there was no specific regulatory impediment that would prohibit such cross-referencing of information.

In light of the feedback received, the Board reconsidered its previous tentative decision in relation to the amendments to IAS 34 *Interim Financial Reporting* included in International Financial Reporting Standard *Annual Improvements to IFRSs 2012-2014 Cycle*. The Board decided not to change IAS 34; permitting cross referencing.

The Board is expected to redeliberate ED 256 at its next meeting, including revisiting its decisions to date on similar text excluded from AASB 7 *Financial Instruments: Disclosures*. The Board requested staff to investigate also how the issue of cross-referenced material is being addressed in other jurisdictions.

Action: Staff

Service Concession Arrangements

Agenda Item 7

The Board had before it:

- (a) a memorandum from Glenn Brady and Nikole Gyles dated 11 December 2014 re Service concession arrangements: Grantor's perspective (agenda paper 7.1);
- (b) AASB staff issues paper – Service concession arrangements (grantor) project – Potential issues for redeliberation (agenda paper 7.2);
- (c) AASB staff issues paper – Should a grantor recognise revenue or a liability in accounting for a service concession arrangement under the intangible model? (agenda paper 7.3);
- (d) Summary of decisions made to date on service concession arrangements project (agenda paper 7.4);
- (e) AASB staff issues paper - Current practice in relation to service concession arrangements (NSW, Victoria and GFS) (agenda paper 7.5); and
- (f) Interpretation Advisory Panel: Service Concession Arrangements – Public Sector Grantors (agenda paper 7.6).

The Board continued discussing service concession arrangements in which the grantor provides an operator a right to charge third parties and the operator constructs and operates a service concession asset. Given the importance of service concession arrangements to governments and the current lack of accounting guidance for such arrangements, the Board decided that service concession arrangements should be treated separately from licences granted by governments. The Board tentatively decided to propose that a grantor should:

- (a) initially recognise an obligation (instead of immediate revenue recognition) when the service concession asset is recognised; and
- (b) subsequently recognise revenue over the life of a service concession arrangement.



The Board emphasised that the Basis for Conclusions would explain that the Board was persuaded by several factors including: the grantor's obligation to step-in to provide the public service if the operator were to fail to perform its obligations under the service concession arrangement; the grantor controls the asset and only provides a right of access to the asset; the grantor would be obliged to undertake various activities in relation to the service concession asset over the term of the arrangement; and that IFRS 15 requires a performance obligation that grants a right of access to be a performance obligation satisfied over time.

The Board also considered other issues that have been raised with staff, relating to the scope of the project, assessing control of the service concession asset, and the measurement of the service concession asset. The Board reconfirmed its previous tentative decisions that:

- (a) IPSAS 32 *Service Concession Arrangements: Grantor* is the foundation for the scope of the standard on grantor accounting in service concession arrangements; and
- (b) The control approach in IPSAS 32 remains appropriate and that additional guidance should clarify whether a grantor controls a service concession asset where a third-party regulator is involved.

Further, the Board decided that staff should conduct further research on measurement of the service concession asset.

The Board also considered the relationship between service concession arrangements and other licences granted by government, and instructed staff to conduct research on the nature and accounting for various licences. The purpose of this research is to inform the Board as to whether a separate project may be required to consider the accounting for these types of licences.

Action: Staff

Fair Value Measurement – Unit of Account

Agenda Item 8

The Board had before it:

- (a) a memorandum from Evelyn Ling dated 2 December 2014 re Fair Value Measurement: Unit of Account (agenda paper 8.1);
- (b) AASB staff issues paper – Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value (agenda paper 8.2);
- (c) ED 254 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (agenda paper 8.3); and
- (d) Submission on ED 254 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* [sub 1] (agenda paper 8.4 – tabled).

The Board considered the remaining key issues to include in its submission to the IASB on its Exposure Draft ED/2014/4 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (incorporated into ED 254), after considering feedback received from constituents.



The Board confirmed its previous tentative decisions, including its decision not to support the proposal that the fair value measurement of an entity's quoted investment in a subsidiary, joint venture or associate is the product of the quoted price of the individual instruments held and the quantity of instruments, and decided to:

- (a) disagree with the proposal to amend IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosures of Interests in Other Entities*, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Joint Ventures and Associates* and instead recommend that IFRS 13 *Fair Value Measurement* be amended to reflect the IASB's conclusions with respect to the fair value measurement of quoted investments in subsidiaries, joint ventures and associates;
- (b) disagree with the proposed transitional provisions to IFRS 10, IAS 27 and IAS 28, and to recommend that the proposed amendments, when finalised, apply prospectively, as the amendments reflect a revision to a valuation technique or its application. The Board agreed with the proposal that amendments to IAS 36 *Impairment of Assets* be applied prospectively;
- (c) comment on the ambiguity as to whether the IASB intends for its conclusions on fair value measurement for investments within the scope of IFRS 10, IAS 27 and IAS 28 to also apply to fair value measurements of non-controlling interests or previously held quoted equity investments within the scope of IFRS 3 *Business Combinations* and other Standards; and
- (d) comment that a cash-generating unit may not correspond to a quoted investment in a subsidiary, joint venture or associate where, for example, debt finance and tax liabilities are excluded from the cash-generating unit and accordingly, query whether the proposed amendments are intended to also apply to such investments.

A number of Board members indicated that they will consider dissenting from the issue of an Australian Standard incorporating the ED's proposals, if finalised in the manner exposed by the IASB in ED/2014/4.

The Board agreed for the submission to be finalised by staff out-of-session with the Chair.

Action:	Staff
	Chair

Fair Value Disclosures for NFP Public Sector Entities

Agenda Item 9

The Board had before it:

- (a) a memorandum from Evelyn Ling dated 2 December 2014 re Fair Value Disclosures for NFP Public Sector Entities (Agenda Paper 9.1); and
- (b) AASB Staff Issues Paper: Staff Outreach and Alternatives for Progressing the Project (Agenda Paper 9.2).

The Board discussed the results of the staff outreach activity and alternatives for progressing the project. The Board noted the prevalence in the not-for-profit (NFP) public sector of property, plant and equipment (PPE), including infrastructure assets, measured at fair value, and considered whether the resulting quantum of disclosures added to, or detracted from, the relevance of general purpose financial statements to users.



The Board heard the concerns of various Board members as to the extent of aggregation of information that occurs, and the resultant usefulness or otherwise of certain AASB 13 disclosures to the users of NFP public sector general purpose financial statements.

The Board also noted that the use of Tier 2 in the public sector would resolve some of these issues and that the principles underpinning Reduced Disclosure Requirements will be reconsidered in the near future.

The Board noted that certain disclosures specified by AASB 13 in respect of Level 3 inputs may potentially be of less importance to users where the related assets are not held for the purposes of generating future cash inflows. The Board directed staff to conduct further research into whether a case for modification under the *Process for Modifying IFRSs for PBE/NFP* could be made for PPE held for its current service potential rather than to generate future cash inflows. The Board also directed staff to conduct a cost-benefit analysis of the additional specified disclosures for such PPE classified as Level 3 in the fair value hierarchy, including exploring the benefits to users of pursuing a potential exemption from these disclosures.

The Board decided it would be useful for a staff article to be prepared addressing some of the transitional issues for NFP public sector entities identified in the staff outreach. The staff article will also highlight the application of materiality in preparing fair value disclosures.

The Board directed staff to bring back the results of the staff research to a future meeting.

Action: Staff

IPSASB Consultation Paper *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*

Agenda Item 11

The Board had before it:

- (a) a memorandum from Joanna Spencer dated 2 December 2014 re IPSASB Consultation Paper *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities* (agenda paper 11.1);
- (b) AASB staff issues paper – IPSASB Consultation Paper *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities* (agenda paper 11.2);
- (c) IPSASB 'At a Glance' document – IPSASB Consultation Paper *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities* (agenda paper 11.3); and
- (d) IPSASB Consultation Paper *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities* (agenda paper 11.4).

The Board considered the key issues to raise in a comment letter to the IPSASB in respect of IPSASB Consultation Paper *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*. The Board supported the IPSASB's preliminary view (Approach 1) that, rather than defining and excluding GBEs from the scope of IPSASs, the IPSASB would describe the characteristics of public sector entities for which IPSASs are intended. The Board also supported option (a) of Approach 1 that



would use IPSAS terminology rather than GFS terminology to describe the characteristics of public sector entities.

The Board agreed that the submission, reflecting the above views and responding to the specific questions in the consultation document, should be finalised out of session by the Chair.

Action: Staff
Chair

Service Performance Reporting

Agenda Item 14

The Board had before it:

- (a) a memorandum from Joanna Spencer dated 2 December 2014 re Service Performance Reporting (agenda paper 14.1);
- (b) AASB staff issues paper - Service Performance Reporting – Principles for the reporting of service performance information (agenda paper 14.2); and
- (c) a memorandum from Joanna Spencer dated 2 December 2014 re Proposed alternative approach to the Service Performance Reporting Project (agenda paper 14.3).

The Board discussed how the Service Performance Reporting project should be progressed and decided that the project should move directly to drafting an Exposure Draft (ED). In drafting the ED, the Board tentatively decided that:

- (a) staff should have regard to the IPSASB project, but should work closely with New Zealand Accounting Standard Board (NZASB) staff to develop similar proposals;
- (b) the scope of the ED should include public sector and private sector not-for-profit entities (consistent with the proposed scope of the NZASB project); and
- (c) the ED will be drafted as if it will be a mandatory accounting standard (consistent with the NZASB project), with a question in the ED as to whether this is appropriate.

The Board also had regard to the principles articulated in the IPSASB's and NZASB's SPR projects as well as those proposed in previous AASB research papers. The Board tentatively decided that it is important for the principles for SPR to be expressed in such a way that they result in an entity providing appropriate information about the achievement of its stated objectives (outputs or outcomes). The Board noted for-profit entities considering integrated reporting may find this ED helpful.

The ED is targeted for issue in June 2015.

Action: Staff



Insurance Contracts

Agenda Item 15

The Board had before it:

- (a) a memorandum from Sue Lightfoot dated 2 December 2014 re: Insurance Contracts (agenda paper 15.1); and
- (b) Appendix to Agenda Paper 15.1: Previous IASB redeliberations on ED/2013/7 *Insurance Contracts* (AASB ED 244) [for information only] (agenda paper 15.2).

The Board considered recent developments in the IASB's Insurance Contracts project, including the IASB's October and November 2014 Board meetings. The Board noted the tentative decisions made by the IASB in its October Board meeting in relation to initial application for insurance contracts with no participating features. The Board also noted the alternative proposals for participating contracts presented by the European CFO Forum in the IASB's November meeting.

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

Rate Regulation

Agenda Item 18

The Board had before it:

- (a) a memorandum from Clark Anstis and Angus Thomson (agenda paper 18.1);
- (b) a submission from CPA Australia on AASB Invitation to Comment ITC 32 *Reporting the Financial Effects of Rate Regulation* (agenda paper 18.2 – tabled); and
- (c) the draft New Zealand Accounting Standards Board submission to the IASB (agenda paper 18.3).

The Board also noted AASB 14 *Regulatory Deferral Accounts* and the receipt of a further submission on ITC 32, from Ergon Energy Corporation Limited. Staff outlined key points from this submission.

The Board discussed the key comments to make in its submission on IASB Discussion Paper DP/2014/2 *Reporting the Financial Effects of Rate Regulation*, which had been issued by the AASB as Invitation to Comment ITC 32 (September 2014). The Board considered feedback received from Australian constituents on ITC 32 and the staff suggestions set out in the memorandum.

The Board decided to:

- (a) reiterate its view that regulatory deferral accounts as described in DP/2014/2 do not meet the definitions of assets and liabilities in the existing *Conceptual Framework*. Members agreed that, in respect of the “defined rate regulation” described in the DP, the recovery or settlement of regulatory balances depended on future transactions with customers, rather than the mere existence of a rate regulation mechanism, and a high probability of occurrence should not override the existing definitions of assets and liabilities;



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- (b) note that some specific disclosures in financial statements regarding rate regulation might be appropriate. Members noted that disclosures could provide useful information to users of general purpose financial statements regarding the financial effects of rate regulation; and
- (c) emphasise that, should the IASB choose to develop recognition and measurement requirements for rate regulation, the scope of the IFRS should be as narrow as possible, with application by analogy prohibited. Board members considered that the IASB should address rate regulation from a broad scope, such as licences and intangible assets more generally. However, if the IASB chose to address rate regulation in isolation, then members concluded that a narrow scope without application by analogy would limit any unintended consequences.

The Board requested staff to circulate a draft submission to the members for their review, prior to finalising the submission.

Action: Staff
Members

Recognition of Deferred Tax Assets for Unrealised Losses

Agenda Item 21

The Board had before it:

- (a) a memorandum from Evelyn Ling dated 2 December 2014 re Recognition of Deferred Tax Assets for Unrealised Losses (agenda paper 21.1);
- (b) ED 253 *Recognition of Deferred Tax Assets for Unrealised Losses* (agenda paper 21.2); and
- (c) Submission on ED 253 *Recognition of Deferred Tax Assets for Unrealised Losses* (agenda paper 21.3).

The Board considered the remaining key issues to include in its submission to the IASB on its Exposure Draft ED/2014/3 *Recognition of Deferred Tax Assets for Unrealised Losses* (incorporated into ED 253), after considering feedback received from constituents. The Board discussed the proposed transitional provisions, including whether the use of hindsight may be an impediment to full retrospective application of the proposed amendments. The Board decided to disagree with the proposed transitional provisions, and recommend that the IASB require all entities already applying IFRSs to apply the amendments in the same manner.

The submission will be finalised by staff out-of-session with the Chair.

Action: Staff
Chair

Financial Reporting Requirements for Australian Groups with a Foreign Parent

Agenda Item 22

The Board had before it:

- (a) a memorandum from Nikole Gyles dated 2 December 2014 re Financial reporting requirements for Australian groups with a foreign parent (agenda paper 22.1);



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- (b) AASB staff issues paper - ED 255 *Financial Reporting Requirements for Australian Groups with a Foreign Parent* (agenda paper 22.2);
 - (c) Submissions on ED255 *Financial Reporting Requirements for Australian Groups with a Foreign Parent* [subs 1–4] / [sub 5] (agenda paper 22.3); and
 - (d) ED 255 *Financial Reporting Requirements for Australian Groups with a Foreign Parent* (agenda paper 22.4).

The Board considered feedback received in response to ED 255 *Financial Reporting Requirements for Australian Groups with a Foreign Parent* and agreed to finalise the amendment to require the ultimate Australian entity to equity account associates or joint ventures in its stand-alone or consolidated financial statements. The Board agreed to clarify the drafting of proposed paragraph Aus17.2 to read as follows (new text underlined, deleted text struck through):

Aus17.2 Notwithstanding paragraphs 17 and Aus17.1, the ultimate Australian ~~parent of the~~ entity with joint control of, or significant influence over, an investee shall apply the equity method in accounting for interests in associates and joint ventures in accordance with this Standard when either the ~~parent~~ entity or the group is a reporting entity or both the ~~parent~~ entity and the group are reporting entities.

Action: Staff
Members

Approval of AASB 9 *Financial Instruments*

Agenda Item 23

The Board had before it a memorandum from Sue Lightfoot dated 2 December 2014 re: AASB 9 Sweep Issues (agenda paper 15.1);

The Board made the following Standards in session:

- (a) AASB 9 *Financial Instruments* (incorporating IFRS 9 of the same name);
- (b) AASB 2014-X *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*, incorporating the consequential amendments arising from issuance of AASB 9; and
- (c) AASB 2014-Y *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)*, an amending standard that limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015.

AASB 2014-X and AASB 2014-Y will be issued by the AASB as AASB 2014-7 and AASB 2014-8 respectively.

No sweep issues were identified by the Board.



Classification and Measurement of Share-based Payment Transactions

Agenda Item 24

The Board had before it:

- (a) a memorandum from Kala Kandiah dated 2 December 2014 (agenda paper 24.1);
- (b) AASB staff issues paper - AASB ED 257 *Classification and Measurement of Share-based Payment Transactions* (agenda paper 24.2); and
- (c) AASB ED 257 *Classification and Measurement of Share-based Payment Transactions* (agenda paper 24.3).

The Board discussed AASB ED 257 *Classification and Measurement of Share-based Payment Transactions* (which incorporates IASB ED/2014/5) and formed tentative views on key comments to make in its submission to the IASB in relation to measurement, subject to considering feedback received from constituents.

The Board tentatively agreed with proposals in the ED:

- (a) to clarify that accounting for the effects of vesting and non-vesting conditions on the measurement of a cash-settled share-based payment should follow the approach used for measuring equity-settled share-based payments in paragraphs 19–21A of IFRS 2;
- (b) to specify that if the entity settles the share-based payment arrangement net by withholding a specified portion of the equity instruments to meet the statutory tax withholding obligation, then the transaction should be classified as equity-settled in its entirety, if the entire share-based payment would otherwise be classified as equity-settled if it had not included the net settlement feature; and
- (c) to specify that modifications to the terms and conditions of a cash-settled share-based payment transaction that results in a change in its classification from cash-settled to equity-settled should be accounted for in the following manner:
 - (i) the share-based payment transaction is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification;
 - (ii) the liability recognised in respect of the original cash-settled share-based payment is derecognised upon the modification, and the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date; and
 - (iii) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately.

The Board also tentatively agreed with the proposed prospective application of the above amendments, and with the proposal to permit an entity to apply the amendments retrospectively if it has the information needed to do so and this information is available without the use of hindsight.



The Board decided to finalise its submission to the IASB on ED/2014/5 via the Chair.

Action:	Staff
	Chair

Close of Meeting

The Chair closed the meeting at 12.00 p.m. on Thursday 18 December 2014.

Approval

Signed by the Chair as a correct record
this eleventh day of February 2015