



**Issue:** Number 115  
**Date:** 27 June 2008  
**Subject:** AASB Meeting 88, 25-26 June 2008

## Board Membership

The Board welcomed Robert Williams, Principal Advisor, NSW Treasury, to his first meeting as a member of the Board.

## Social Benefits

The Board agreed to make a submission to the IPSASB concerning the IPSASB's social benefits project in relation to ED 34 *Social Benefits: Disclosure of Cash Transfers to Individual or Households*; and Consultation Paper *Social Benefits: Issues in Recognition and Measurement* (which are the subject of the Board's Invitation to Comment ITC 15) and IPSASB's Project Brief *Long-Term Fiscal Sustainability Reporting*.

The Board agreed that its submission to the IPSASB would include the following comments:

- the social benefits project needs to be progressed in conjunction with the development of a conceptual framework for the public sector: in particular, further research is required to determine the nature of liabilities under social benefits programs;
- an appropriate interim position (while the conceptual framework is being developed) is that public sector entities using the accrual basis of accounting should recognise amounts due and payable under social benefit programs and, accordingly, the Board does not support the proposals in IPSASB ED 34; and
- the IPSASB should proceed with a project to consider long-term fiscal sustainability reporting.

The Board's submission to the IPSASB will be finalised out of session.

## Superannuation Plans and ADFs

The Board tentatively agreed that:

- the requirements in AASB 7 *Financial Instruments: Disclosures* should be used as a basis for developing principles that would facilitate the disclosure of information in relation to the risks associated with both the financial and non-financial assets of a superannuation plan or approved deposit fund (ADF);
- a superannuation plan or ADF that has a subsidiary should not be required to present parent entity financial statements in addition to its consolidated financial statements. Accordingly, the note disclosures required would

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relate to the consolidated financial statements and the Board will give further consideration to the parent entity information that should be disclosed in the consolidated financial statements;

- the principles underlying the requirements in AASB 8 *Operating Segments* should be used as a basis for developing a set of principles that would facilitate the disclosure of information about:
  - how the trustee of a superannuation plan or ADF arranges the entity's assets for the purposes of evaluating performance and allocating resources; and
  - the financial performance of each group of assets identified by the trustee for these purposes;
- a superannuation plan or ADF should disclose information that provides users with a basis for understanding the nature of the entity, the benefits the entity provides to its members and the entity's liability for its members' accrued benefits. In addition, the Board agreed to give further consideration to the information needed by users to understand the impact of changes in the assumptions used on the measurement of the accrued benefits of defined benefit members;
- the requirements in AASB 124 *Related Party Disclosures* should apply, when appropriate, to a superannuation plan or ADF. In addition:
  - a superannuation plan should disclose information needed by users to understand the nature of the entity's relationship with its employer sponsor (or sponsors); and
  - a superannuation plan or ADF should disclose information needed by users to understand:
    - the nature of the entity's relationship with its trustee; and
    - any transactions between the entity and its trustee or an employer sponsor other than 'normal' transactions; and
- accrued benefits should be defined broadly to cover both defined contribution and defined benefit arrangements. Accordingly, the Board decided to propose that accrued benefits be defined as the present obligation for benefits that members and beneficiaries are entitled to receive in the future as a result of membership of the superannuation plan or approved deposit fund up to the reporting date.

The Board plans to consider a first draft ED at its August 2008 meeting.

## **Service Concession Arrangements – Grantor Accounting**

The Board received a presentation from staff on the principal proposals in the IPSASB's Consultation Paper *Accounting and Financial Reporting for Service Concession Arrangements*, which is the subject of the Board's Invitation to Comment ITC 16.

Board members noted that the criteria proposed by the IPSASB for determining whether the public sector grantor controls the infrastructure underlying a service concession arrangement are not exactly the same as the control

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criteria set out in AASB Interpretation 12 *Service Concession Arrangements*, which could lead to asymmetrical accounting as between grantors and operators.

The Board will consider at the next meeting submissions received from constituents in response to ITC 16 in formulating its own submission to the IPSASB.

## Conceptual Framework Exposure Draft

The Board approved an AASB Preface to Exposure Draft ED 164 *An improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics and Constraints of Decision-useful Financial Reporting Information*. ED 164 incorporates the IASB's ED on this topic and will be placed on the AASB website shortly. The AASB is seeking comment on ED 164 by 25 August 2008. This will enable the AASB to consider Australian constituents' comments in the process of formulating its own comments to the IASB, which are due by 29 September 2008.

## Reporting Entity Concept

The Board considered the draft Preface to ITC 17 'Request for Comment on IASB Discussion Paper *Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Reporting Entity*'. ITC 17 incorporates the IASB's Discussion Paper on this topic and will be placed on the AASB website shortly for public comment. ITC 17 has a comment deadline of 25 August 2008. This will enable the AASB to consider Australian constituents' comments in the process of formulating its own comments to the IASB, which are due by 29 September 2008. The Board noted that the IASB is using the term 'reporting entity' for the purpose of identifying the boundaries of the entity that is reporting, rather than for the purpose of determining which entities should prepare general purpose financial reports.

The Board also agreed to hold Roundtables to solicit constituents' views on the Discussion Paper, the details of which will be announced through the AASB website in due course.

## Differential Reporting/SMEs

The Board considered a staff paper setting out its decisions on the differential reporting project and the related tentative basis for conclusions, to be used at the joint meeting with the FRSB in July 2008 in discussing differential reporting.

## GAAP/GFS Harmonisation for Entities within the General Government Sector

The Board did not address this agenda item as it was advised that correspondence expected from Heads of Treasuries has not been finalised.

## Annual Improvements

The Board agreed to vote on making AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* and AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* out of session. These Standards will include amendments made to

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IFRSs by the IASB as a result of its Annual Improvements Process. AASB 2008-5 will apply for annual reporting periods beginning on or after 1 January 2009 and AASB 2008-6 will apply for annual reporting periods beginning on or after 1 July 2009. Early adoption will be permitted.

When considering the proposed Standards, the Board noted that the number of amendments and the number of Standards affected highlight its concerns that the process for incorporating amendments to IFRSs in Australian Accounting Standards as legislative instruments is cumbersome, an inefficient use of its resources and potentially confusing to its constituents. The Board agreed to investigate more efficient ways of incorporating amendments to IFRSs in Australian Accounting Standards.

## Interpretations

The Board received an update on the status of interpretation issues in progress. The Board reconsidered the proposed Agenda Decision in relation to the applicability of Standards to non-reporting entities and agreed to consider it further following its comprehensive review of the differential reporting regime in Australia.

## IPSASB Report

The Board received a report on the IPSASB's June 2008 meeting. The IPSASB considered papers in relation to conceptual framework, borrowing costs, financial instruments, intangible assets, entity combinations and its approach to developing and issuing interpretations.

## Income Taxes

Staff conducted an educational session on the IASB/FASB short-term convergence project on Income Taxes. The Board noted that many of the decisions the IASB has made to date would have significant implications for AASB 112 *Income Taxes*. The Board also noted that some of the expected proposed changes to IAS 12 *Income Taxes* converge with US GAAP (in particular SFAS 109 *Accounting for Income Taxes*), which may give rise to particular issues in Australia given that the Australian tax regime differs from that in the US.

The IASB's proposals are expected to be issued in the form of an ED in the fourth quarter of this year. The AASB intends to consider the implications of the proposals in an Australian context at a future meeting, and reflect the outcome of that consideration in the Australian Preface that will accompany the AASB's release of the IASB ED.

## Cost of Investment in Subsidiary

The Board agreed to vote on making AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* out of session. When made, this Standard will:

- remove from AASB 118 *Revenue* the requirement to deduct dividends declared out of pre-acquisition profits from the cost of an investment in a subsidiary, jointly controlled entity or associate;

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- amend AASB 136 *Impairment of Assets* to include recognising a dividend from a subsidiary, jointly controlled entity or associate, together with other evidence, as an indication that the investment in the subsidiary, jointly controlled entity or associate may be impaired; and
- amend AASB 127 *Consolidated and Separate Financial Statements* to require, in particular circumstances, a new parent created in a group reorganisation to measure the cost of its investment at the carrying amount of the share of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation.

The Standard will apply for annual reporting periods beginning on or after 1 January 2009. Early adoption will be permitted.

## **Non-current Assets Held for Sale and Discontinued Operations**

The Board received an update on the IASB's proposals to amend IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* where the IASB has proposed additional disclosures and to link the definition of 'discontinued operations' to the definition of 'operating segment' in IFRS 8 *Operating Segments*, regardless of whether the entity in question is required to apply IFRS 8 (which itself has limited application).

## **Criteria for Modifying IFRS Requirements in respect of Not-for-Profit Entities**

The Board noted that it is aiming to develop a set of criteria with the NZ FRSB that could be used for developing a joint policy for identifying when there is a basis for modifying IFRS requirements in respect of not-for-profit entities. The Board discussed the criteria that might be used and the issues that should be identified for resolution at the July 2008 joint meeting of the AASB and the FRSB.

## **Board Structure and Relationships**

The Board noted that legislation to bring the AASB within the scope of the *Financial Management and Accountability Act 1997* as from 1 July 2008 has been passed by Parliament and is awaiting Royal Assent. The Board was informed that although this change affects administrative relationships, including that with the Financial Reporting Council, it does not affect the independence of the Board in making technical decisions.

## **Minutes**

The Board approved the minutes of the meeting held on 21-22 May 2008. These are now published on the website.

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## Next Meeting on 30-31 July 2008

This meeting will be held jointly with the NZ FRSB in Auckland. It is anticipated that the Boards will deal with the following items:

- Business Combinations (Not-for-Profit Entities)
- Conceptual Framework (including IASB and IPSASB projects)
- Differential Reporting
- Emission Trading Schemes
- Financial Statement Presentation – Phase B
- IASB Update
- Income from Non-exchange Transactions
- IPSASB Update
- Long-term Fiscal Sustainability
- Policy for Modifying IFRS Requirements for Not-for-Profit Entities
- Service Concession Arrangements – Grantor Accounting (IPSASB proposals)

## 2008 Meeting Dates

Remaining 2008 meeting dates are:

- 30-31 July (joint meeting with NZ FRSB – Auckland)
- 27 August
- 24-25 September
- 12-13 November
- 17-18 December

Unless indicated otherwise, meetings are held in Melbourne.

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