



Issue: Number 123
Date: 6 March 2009
Subject: AASB Meeting 96, 4-5 March 2009

IASB Liaison

The Board met with Warren McGregor and Stephen Cooper, IASB members, and discussed a range of issues including IASB due process, the IASB/FASB projects on Presentation of Financial Statements and Post-employment Benefits, issues relating to the IASB's responses to the global financial crisis and proposals relating to Consolidated Financial Statements.

Differential Reporting

The Board continued its discussion of the nature of financial statements made available to the public at large, whether under a legal mandate or otherwise. The Board tentatively decided that financial statements that are made available to the public at large should be prepared in accordance with applicable accounting standards:

- (a) when a regulator or regulation requires those financial statements to be:
 - (i) general purpose financial statements (GPFs); or
 - (ii) prepared in accordance with accounting standards; or
- (b) when a regulator or regulation requires those financial statements and an entity elects to explicitly claim them to be:
 - (i) GPFs; or
 - (ii) prepared in accordance with accounting standards; or
- (c) when an entity voluntarily makes those financial statements available and elects to explicitly claim them to be:
 - (i) GPFs; or
 - (ii) prepared in accordance with accounting standards.

Under the existing differential reporting regime, GPFs can only be the result of using all applicable accounting standards. The Board noted that when it proceeds with a revised differential reporting regime it will need to make decisions about whether there are one, two or more tiers of requirements that would be applied in preparing GPFs.

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Income from Non-Exchange Transactions

The Board is carrying out a short-term project jointly with the NZ Financial Reporting Standards Board to develop a common Standard based on IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.

The Board discussed a revised draft ED and decided to propose that the resulting Standard would supersede AASB 1004 *Contributions* except for the paragraphs on restructures of administrative arrangements. This proposal would result in the removal of the requirements for for-profit government departments and the recognition requirements for contributions by owners applying to governments and government departments. The Board will further consider whether the ED should propose the retention or removal of all or part of AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

The Board considered a draft example on parliamentary appropriations and decided to request comments in the Preface to the ED about whether examples are required rather than add the example to the draft implementation guidance.

Transitional provisions to be proposed in the ED were also discussed, with the Board supporting prospective application from the start of the earliest comparative period presented in the financial statements, with full retrospective application allowed.

The Board is aiming to finalise the exposure draft at the next meeting for issue.

IASCF Constitution

The Board considered a draft submission on the International Accounting Standards Committee Foundation (IASCF) proposals set out in its *Review of the Constitution – Identifying Issues for Part 2 of the Review*, and confirmed its view that it should comment on the issues raised. In particular, the Board focused on issues concerning the importance of the IASB's independence and due process in setting standards and the need to aim to have transaction-neutral standards promulgated at an international level. The submission to the IASCF will be available on the website shortly.

Intangible Assets

The Board considered a draft submission to the National Standard Setters Group on the Discussion Paper *Initial Accounting for Internally Generated Intangible Assets*. The Board agreed that its submission should include suggestions for further research, including a post-implementation review of the intangible asset requirements in IFRS 3 *Business Combinations*, and confirmed its willingness to participate in any ongoing research on the issues identified in the Discussion Paper. The submission will be available on the website shortly.

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Modifying IFRSs for Not-for-Profit Entities

The Board considered a draft Invitation to Comment and draft *Process for Modifying or Introducing Additional Requirements to IFRSs for PBEs/NFPs* based largely on documents prepared by the New Zealand FRSB and New Zealand ASRB. The Board agreed to a number of changes to make the draft *Process* document generic to Australia and New Zealand in the interests of having common processes in both jurisdictions and the aim of achieving greater Trans-Tasman convergence. Subject to further consideration of the draft *Process* documents by the FRSB, the Board expects to issue them for comment later this month.

Interpretations

Transfers of Assets from Customers

The Board approved AASB Interpretation 18 *Transfers of Assets from Customers*, which adopts the requirements of IFRIC 18 *Transfers of Assets from Customers*. AASB Interpretation 18 applies prospectively to transfers of assets from customers received on or after 1 July 2009 and can be applied to earlier transfers from customers provided the valuations and other information needed in respect of past transfers were obtained at the time those transfers occurred. AASB Interpretation 18 will be made available on the website shortly. AASB Interpretation 18 supersedes AASB Interpretation 1017 *Developer and Customer Contributions for Connection to a Price-Regulated Network*.

Interpretation and Application of Standards

The Board made AASB 1048 *Interpretation and Application of Standards* (March 2009). AASB 1048 now refers to Interpretation 17 *Distribution of Non-cash Assets to Owners* and Interpretation 18 *Transfers of Assets from Customers*.

Proposed Amendments to AASB Interpretations

The Board considered constituents' comments on ED 175 *Post-Implementation Amendments to AASB Interpretations*, which includes IASB ED/2009/1 "Post-implementation Revisions to IFRIC 9 *Reassessment of Embedded Derivatives* and IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*", and finalised its submission to the IASB. The submission will be available on the website shortly.

Revenue Recognition

The Board had an education session on some of the proposals in the IASB Discussion Paper *Preliminary Views on Revenue Recognition in Contracts with Customers*, on which the AASB sought comment in Invitation to Comment (ITC) 18 (December 2008). The closing date for comments to the AASB on ITC 18 is 24 April 2009.

Consolidated Financial Statements

The Board reviewed submissions on ED 171 *Consolidated Financial Statements*, which includes the IASB's ED 10. ED 171 proposes a single Standard on consolidation to replace the consolidation requirements in

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AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation – Special Purpose Entities*. The Board considered a draft submission to the IASB and expressed its concern about the short comment period and raised issues regarding the potential for future amendments when the Standard is reconsidered as part of the Convergence project with US FASB. The Board indicated that it considers the proposed changes in terminology are unlikely to achieve their objective and outlined its concerns about the potential practical implications of the distinction between structured and non-structured entities in the guidance for assessing control. The submission to the IASB will be available on the website shortly.

IPSASB Conceptual Framework

The Board reviewed the comment letters received on the IPSASB Consultation Paper *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* and finalised its submission to the IPSASB. The submission to the IPSASB, which expresses broad agreement with most of the IPSASB's Preliminary Views, will be available on the website shortly.

Extractive Activities

The Board participated in an education session on the IASB's Extractive Activities research project ahead of the expected publication of the research project's Discussion Paper in the second quarter of 2009. AASB staff are leading the project team that is undertaking the research for the IASB. The project team includes representatives from the national standard setters of Canada, Norway and South Africa. The education session covered the main proposals that are expected to be contained in the forthcoming Discussion Paper, which represents the first step towards the development of comprehensive IFRS requirements to address financial reporting issues associated with exploring for, finding, developing and extracting minerals, oil, and natural gas. These requirements are expected to eventually supersede AASB 6 *Exploration for and Evaluation of Mineral Resources*.

Related Party Disclosures

The Board considered constituents' comments on ED 170 *Relationships with the State (Proposed Amendments to AASB 124)* and a draft submission to the IASB. The Board noted that the issues addressed in the proposals have taken on a greater significance in many parts of the world since governments began taking interests in businesses (particularly banks) in responding to the current economic crisis. The finalised submission to the IASB will be available on the website shortly.

Financial Instruments

The Board noted that the IASB has decided at this stage not to proceed with proposed amendments to IFRS 7 *Financial Instruments: Disclosures* relating to investments in debt instruments. The Board agreed to monitor IASB developments in respect of issues relating to the now lapsed proposals included in ED 173 *Investments in Debt Instruments – Proposed Amendments to AASB 7*.

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AASB Policies and Processes

The Board reviewed a draft paper setting out its key policies and processes to replace the Policy Statements that were withdrawn in November 2008. The paper deals with the Board's policy in respect of transaction neutrality, the development of Standards and Interpretations, due process, consultation and other related matters. The Board will consider a further draft at its May 2009 meeting.

Roundtables

The Board noted that information is available on the website about the roundtables on IASB/FASB Discussion Papers on *Presentation of Financial Statements* and *Revenue Recognition in Contracts with Customers* and on its ED 174 dealing with amendments to Australian Accounting Standards to facilitate GAAP/GFS Harmonisation for entities within the GGS.

Minutes

The Board approved the minutes of Meeting 95 held on 5 February 2009. These are now available on the website.

Next Meeting on 22 April 2009

It is anticipated that the Board will deal with the following items:

- Borrowing Costs
- Financial Instruments: Disclosures
- Income from Non-Exchange Transactions
- Interpretations
- Presentation of Financial Statements (IASB/FASB Discussion Paper)
- Revenue Recognition (IASB/FASB Discussion Paper)
- Superannuation Plans and Approved Deposit Funds

2009 Meeting Dates

Remaining meeting dates for 2009 are:

- 22 April
- 20-21 May (including Consultative Group on 20 May)
- 24-25 June
- 29-30 July
- 23-24 September
- 28-29 October (joint meeting with FRSB)
- 9-10 December

Unless indicated otherwise, meetings are held in Melbourne.

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