



**Issue:** Number 126  
**Date:** 26 June 2009  
**Subject:** AASB Meeting 99, 24-25 June 2009

## Differential Reporting

### *Holding assets in a fiduciary capacity*

At the May 2009 meeting, the Board discussed a possible ambiguity in the meaning of 'holding assets in a fiduciary capacity' referred to in part (b) of the IASB's proposed definition of a publicly accountable entity, which the Board has tentatively agreed to use in its differential reporting framework. At this meeting the Board considered a staff paper on this issue and tentatively decided that:

- (a) the condition in part (b) of the proposed definition, that is, 'holding assets in a fiduciary capacity for a broad group of outsiders', should be applied in Australia; and
- (b) the IASB's examples of publicly accountable entities should be supplemented by further examples of the types of entities that would be deemed as publicly accountable under part (b) of the definition in Australia.

The Board will consider further papers on differential reporting at its July 2009 meeting.

### *NZ tentative thinking about a future accounting standards framework*

The Board noted a brief paper setting out elements of a possible future differential reporting framework in New Zealand, and discussed the issues relating to accounting standards. Discussion documents on a possible differential reporting framework are expected to be published by the NZ Ministry of Economic Development and NZ ASRB in the near future.

## Financial Instruments

### *Replacement of IAS 39 "Financial Instruments: Recognition and Measurement"*

The Board held an education session in private with representatives from the Australian Bankers' Association, ASIC and APRA to discuss views on various aspects of the IASB's proposal to replace IAS 39, and was provided with an update of the deliberations at the IASB's June 2009 meeting. Those aspects discussed included impairment, classification and measurement and the interaction between prudential and general purpose financial reporting.

### *Derecognition*

The Board received an education session on the IASB's Exposure Draft ED/2009/3 *Derecognition (Proposed Amendments to IAS 39 and IFRS 7)* and discussed the impact of the proposals on various types of financial instruments.

The Board noted that the IASB has requested comments by 31 July 2009 and directed staff to prepare a draft submission to the IASB for consideration at the AASB's July meeting noting the Board's preference that the IASB should work to harmonise more comprehensively with the FASB. The Board noted that the issues being addressed are fundamental and warrant a thorough due process. The Board expressed a tentative preference that, if a fundamental review is not possible at this stage, the Alternative Approach provided in the ED be adopted.

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## *Credit Risk in Liability Measurement*

The Board decided to issue an AASB Invitation to Comment that includes the IASB's Discussion Paper DP/2009/2 *Credit Risk in Liability Measurement* and discussed the process for consultation with constituents in obtaining feedback on this topic.

## **Leases**

The Board considered a draft AASB submission on the IASB/FASB Discussion Paper *Leases – Preliminary Views*, noting that the draft was prepared with the benefit of information gathered in a number of face-to-face meetings with various constituents. The Board also considered constituents' written submissions to the AASB in response to AASB ITC 20 *Request for Comment on IASB/FASB Discussion Paper Leases – Preliminary Views*.

The Board decided that its submission to the IASB should express general support in concept for the proposals, and outline concerns about a number of topics, including the identification of leases versus service contracts and purchases of assets with delayed settlement, the applicability of IAS 38 *Intangible Assets* to the right-of-use asset in terms of measurement and presentation, and the implications for lessor accounting of the DP's proposals.

The Board's submission to the IASB will be available on the AASB website shortly.

## **Income Tax**

The Board considered a number of issues that it intends including in its submission to the IASB on ED 2009/2 *Income Tax*. It is intended that the submission be finalised at the next meeting, at which the Board will also consider any issues raised in constituent comment letters on AASB ED 178 *Income Tax*. Broadly, the Board's view is to recommend that a fundamental review of income tax accounting be undertaken, rather than proceed with the proposals in the ED, on the basis that the proposals are not a significant improvement on existing requirements.

## **Corrections to Standards**

The Board made AASB 2009-6 *Amendments to Australian Accounting Standards* and AASB 2009-7 *Amendments to Australian Accounting Standards*. The Standards make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.

AASB 2009-6 is applicable to annual reporting periods beginning on or after 1 January 2009 that end on or after 30 June 2009. AASB 2009-7 is applicable to annual reporting periods beginning on or after 1 July 2009. The Standards will be available on the website shortly.

## **Share-based Payment**

The Board noted that the IASB has made amendments to IFRS 2 *Share-based Payment* with effect from 1 January 2010, which also includes the requirements in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions* in IFRS 2. The Board decided to vote out-of-session on making an Amending Standard to incorporate these changes in AASB 2 *Share-based Payment* and to withdraw Interpretations 8 and 11.

## **Policies and Processes**

The Board considered a revised draft *AASB Statement of Policies and Processes* that outlines the Board's policies and processes regarding the development of Standards and Interpretations, including its policies in respect of transaction neutrality, due process, consultation and communication. Following discussion with the FRC, the AASB Statement will be published on the website inviting comments from constituents.

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## Management Commentary

The Board noted that the IASB has issued ED/2009/6 *Management Commentary* and invited comments by 1 March 2010. The IASB has indicated that the ED will not result in an IFRS and is intended to provide a non-binding framework as a basis for developing a good management commentary. The Board decided to place the IASB ED on its website, requesting comments from constituents for it to consider when making a submission to the IASB.

## Interpretations

The Board reviewed the IFRIC's tentative and final agenda decisions from its May meeting and agreed not to comment on any of these issues.

The Board also reviewed the Interpretations in progress and asked staff, in conjunction with the NZ FRSB staff, to again contact IASB staff on whether entities can be key management personnel in accordance with IAS 24 *Related Party Disclosures*. This is particularly relevant to the Board's project on Related Party Disclosures – Managed Investment Schemes (MIS).

## GAAP/GFS Harmonisation (Entities within the GGS)

The Board considered the outcome of the Roundtable consultations and written responses to ED 174 *Amendments to Australian Accounting Standards to facilitate GAAP/GFS Harmonisation for Entities within the GGS* [AASB 101, 107 and 1052]. ED 174 was issued as part of the second, and final, phase of the Board's implementation of the FRC's GAAP/GFS harmonisation broad strategic direction. The Board noted that the views of constituents were mixed. However, the Board was persuaded by the strong views expressed by many that, based particularly on perceptions of the needs of a range of users, it would not be appropriate to impose GAAP/GFS harmonisation requirements in the manner proposed in ED 174 on the general purpose financial statements of entities within the GGS. Accordingly, the Board directed staff to prepare a paper to help facilitate future discussions with the FRC before progressing the project further.

## IPSASB's IFRS Convergence Project

The Board considered the following IPSASB EDs issued as part of the IPSASB's projects to update convergence of IPSASs with IFRSs.

Exposure Draft	Related IFRS	Comment Deadline
ED 36 <i>Agriculture</i>	IAS 41	30 June 2009
ED 37 <i>Financial Instruments: Presentation</i>	IAS 32	31 July 2009
ED 38 <i>Financial Instruments: Recognition and Measurement</i>	IAS 39	31 July 2009
ED 39 <i>Financial Instruments: Disclosures</i>	IFRS 7	31 July 2009
ED 40 <i>Intangible Assets</i>	IAS 38	15 August 2009
ED 41 <i>Entity Combinations from Exchange Transactions</i>	IFRS 3	15 August 2009

The Board decided to make submissions on each ED except ED 36 (on which the AASB staff will make a submission). Draft Board submissions will be considered at its July 2009 meeting.

*EDs 37, 38 & 39 Financial Instruments: Presentation, Recognition and Measurement, and Disclosures*

Among other issues, the Board decided to comment that:

- (a) IFRS-converged IPSASs on financial instruments should not be finalised while the IASB is contemplating significant changes to IAS 39 in the short term. It recommends that, if the IPSASB

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proceeds with EDs 37, 38 and 39, it should explain how it intends to deal with the IASB's future changes to IAS 39;

- (b) it disagrees with the proposal in ED 37 that IPSASs applicable to financial guarantee contracts should differ according to whether the contract arises from an exchange or non-exchange transaction; and
- (c) it agrees with the proposal in ED 38 that 'concessionary loans' (loans granted or received by an entity on below-market terms) should initially be measured at fair value, and is concerned with the proposal to distinguish them from waivers of debt.

## *ED 40 "Intangible Assets"*

Among other issues, the Board decided to comment that it disagrees with the proposal for optional recognition of intangible heritage assets that meet the criteria for recognition as assets, and has concerns about the proposed transitional provisions.

## *ED 41 "Entity Combinations from Exchange Transactions"*

Among other issues, the Board decided to comment that it disagrees with the proposal to limit the scope of the proposed IPSAS to entity combinations from exchange transactions. The Board recommends including entity combinations from non-exchange transactions within the Standard's scope, but also agrees with the proposal to retain the scope exclusion in IFRS 3 *Business Combinations* for combinations of entities or operations under common control.

## **IPSASB Report**

The Board received a report on the IPSASB's May 2009 meeting, at which the IPSASB discussed:

- (a) its projects on the conceptual framework, long-term fiscal sustainability, service concession arrangements, borrowing costs, annual improvements and review of the Cash Basis IPSAS; and
- (b) financial reporting issues arising from governments' responses to the global financial crisis.

A detailed update on the IPSASB's activities will be included in the next edition of the AASB's e-newsletter (*Transparency*), to be issued shortly.

## **Minutes**

The Board approved the minutes of Meeting 98 held on 20-21 May 2009. These are now available on the website.

## **Next Meeting on 29-30 July 2009**

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

Differential Reporting

Disclosure by Not-for-Profit Entities (including Charities) [project proposal]

Fair Value Measurement

Financial Instruments (Derecognition, Credit Risk and Replacement of IAS 39)

GAAP/GFS Harmonisation (Entities within the GGS)

Government Accounting for Emission Rights

Income Tax

Interpretations

IPSASB IFRS Convergence Project (Financial Instruments, Entity Combinations, Intangible Assets)

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## 2009 Meeting Dates

Remaining meeting dates for 2009 are:

29-30 July

23-24 September

28-29 October (joint meeting with FRSB)

9-10 December

The above meetings will be held in Melbourne.

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