



Issue: Number 147
Date: 27 October 2011
Subject: AASB Meeting 120, 26 October 2011

1. Overview

At this meeting the Board, among other things:

- (a) discussed aspects of accounting for a carbon tax and progressed its project on Service Performance Reporting (see sections 2 and 3);
- (b) continued to monitor and form views on the core IASB projects/consultation documents – Financial Instruments; Revenue from Contracts with Customers; Leases; and Insurance Contracts (see sections 4 – 7);
- (c) received progress reports on four of its domestic projects – Superannuation Entities; Control in the Not-for-Profit Sector; Not-for-Profit Entities within the General Government Sector [ED 212]; and Extending Related Party Disclosures to the Not-for-Profit Public Sector [ED 214] (see sections 8 - 11); and
- (d) received reports relating to a range of other topics and organisations – IPSASB Report; IASB Agenda Consultation; IFRS Advisory Council; IFRS Interpretations Committee; Integrated Reporting; and AOSSG (see sections 12 – 17).

A list of recently approved documents is provided in section 18, and documents open for comment are listed in section 19.

2. Carbon Tax

The Board continued its discussion of the possible implications of applying existing Australian Accounting Standards in accounting by emitters and the Government under a carbon tax mechanism during a fixed-price period.

The Board confirmed that it does not expect an Interpretation on this topic would be warranted. It also confirmed that it saw merit in AASB staff assisting constituents who might be affected by the tax by publishing a paper that draws out the relevant accounting issues. Accordingly, the purpose of the Board's discussion was to provide input to a draft staff paper by identifying any additional issues and viewpoints to be considered.

The AASB Action Alert is issued by the Australian Accounting Standards Board (AASB). It reports on meetings of the AASB as a service to its constituents. Decisions reported may be changed or modified by the AASB. Decisions become final only after completion of the formal processes required to issue documents. No responsibility is taken for the results of actions or omissions to act taken on the basis of any information in this report, or for any errors or omissions.



Based on the Board's discussion, staff will further consider the following:

- (a) permits, whether purchased or received freely, and the precedent for them being recognised as assets;
- (b) the possible classification of any such assets as intangible or financial;
- (c) the recognition and measurement of liabilities for carbon tax and the expensing or capitalisation of the tax; and
- (d) the possible accounting treatments of a carbon tax, and of both purchased and free permits, by the Government, including the nature of any Government liability in respect of funds received through sale or grant of permits.

Staff will continue to develop their paper on this topic.

3. Service Performance Reporting

The Board considered whether, and if so how, to progress its Service Performance Reporting project, particularly in light of the recent establishment of the Australian Charities and Not-for-profits Commission (ACNC), constituent feedback received on the project work to date and developments in relevant IPSASB and IASB projects.

The Board decided to continue to progress the project while seeking to work with the ACNC when appropriate, and continuing to monitor IPSASB and IASB developments.

The project will consider ways in which to address concerns expressed by some constituents about the potential for the costs of implementing any reporting requirements that might arise from the project to exceed the benefits to users of not-for-profit (NFP) private sector reporting entities' general purpose financial statements.

4. Financial Instruments

Hedge Accounting Update

The Board received an update on the IASB's deliberation of issues identified in respect of ED/2010/13 *Hedge Accounting* (which was incorporated into AASB ED 208 – now closed for comment) based on constituent feedback. The Board decided none of the recently discussed issues gave it cause to write to the IASB expressing concerns at this stage.

The IASB has completed its redeliberations and is in the process of preparing the final draft of the new hedge accounting requirements, which will be made available on the IASB website for a period of 90 days.

The AASB Action Alert is issued by the Australian Accounting Standards Board (AASB). It reports on meetings of the AASB as a service to its constituents. Decisions reported are tentative and may be changed or modified by the AASB. Decisions become final only after completion of the formal processes required to issue documents. No responsibility is taken for the results of actions or omissions to act taken on the basis of any information in this report, or for any errors or omissions.



Offsetting Financial Assets and Financial Liabilities

The Board received an update on the tentative decisions made by the IASB and the FASB on the Offsetting Financial Assets and Financial Liabilities project. The Board decided none of those decisions gave it cause to express concerns to the IASB at this stage. The Board noted that the IASB aims to publish its amendments to IAS 32 *Financial Instruments: Presentation* by the end of 2011.

Impairment

The Board received an update on the tentative decisions made by the IASB and the FASB relating to classifying loans for the purposes of assessing impairment, that is, the proposed 'expected but not reported' loss approach that has three 'buckets' of loans that have varying impairment characteristics. The Board decided none of those recent decisions gave it cause to express concerns to the IASB at this stage. The AASB will continue to monitor the IASB's work and plans to raise a number of issues regarding impairment at the Asian-Oceanian Standard-Setters Group (AOSSG) meeting in Melbourne in November 2011 (see section 17 below) in its role as leader of the AOSSG's Financial Instruments Working Group.

5. Revenue from Contracts with Customers

The Board received an update on the tentative decisions made by the IASB and the FASB in their October 2011 meeting on the Revenue Recognition project. The Board decided none of those decisions gave it cause to express concerns to the IASB at this stage, particularly given the IASB's decision to re-expose the Revenue proposals in Q4 2011.

6. Leases

The Board received an update on the tentative decisions made by the IASB and the FASB in their September 2011 and October 2011 meetings on the Leases project. The Board decided none of those decisions gave it cause to write to the IASB expressing concerns at this stage, particularly given the IASB's decision to re-expose the Leases proposals in Q1 2012. However, the Board requested that staff raise concerns with IASB staff relating to the lessor model, for consideration in finalising the IASB's revised ED.

7. Insurance Contracts

The Board noted that the exposure period had expired for the Tier 2 Supplement to ED 201 *Insurance Contracts*. The Supplement sought comments from those who disagreed with the Board's view that entities with material insurance contracts that prepare general purpose financial statements would all have public accountability and therefore need to apply Tier 1 requirements. The two submissions received supported the Board's view. The Board decided there is no need to create Tier 2 general purpose financial reporting requirements in respect of accounting for insurance contracts.

The AASB Action Alert is issued by the Australian Accounting Standards Board (AASB). It reports on meetings of the AASB as a service to its constituents. Decisions reported are tentative and may be changed or modified by the AASB. Decisions become final only after completion of the formal processes required to issue documents. No responsibility is taken for the results of actions or omissions to act taken on the basis of any information in this report, or for any errors or omissions.



The Board also received an update on recent developments on the IASB's Insurance Contracts project, including discussions at the October 2011 meeting of the IASB's Insurance Working Group, which focused largely on the potential presentation of certain items in other comprehensive income.

8. Superannuation Entities

The Board noted that staff are well advanced in redrafting a revised ED on financial reporting by superannuation entities based on comments from the AASB's superannuation subcommittee, and that staff soon expect to send a pre-ballot draft to members for comment out of session. Subject to feedback received from members, the finalised revised ED will be issued later this year with a public comment period of at least four months from the date of issue.

9. Control in the Not-for-Profit Public and Private Sectors

The Board received an update on the progress being made on its Control in the Not-for-Profit Public and Private Sectors project. The Board noted:

- (a) the research findings to date in respect of the NFP private sector; and
- (b) an update on the progress being made on a paragraph-by-paragraph analysis of AASB 10 *Consolidated Financial Statements*, the objective of which is to identify Aus paragraphs that might be added to AASB 10 through an exposure draft process.

10. Not-for-Profit Entities within the General Government Sector

The Board received a high-level staff summary of the views expressed by constituents who attended the recent Roundtables, and other meetings with staff, on the proposals in ED 212 *Not-for-Profit Entities within the General Government Sector*. The Board noted that strong views were expressed both for and against the proposals. The Board also noted that constituents had made some suggestions for improving various aspects of the proposals.

The Board did not make any decisions in relation to the proposals, pending consideration of all comments to be received on ED 212 – the comment period for which closes on 31 October 2011.

Given the nature of the proposals and the diverse views expressed to date, the Board intends to consider ED 212 on an issue-by-issue basis, which may extend over several meetings.

11. Extending Related Party Disclosures to the Not-for-Profit Public Sector

The Board received a high-level staff summary of the views expressed by constituents who attended the recent Roundtables, and other meetings with staff, on the proposals in ED 214 *Extending Related Party Disclosures to the Not-for-Profit Public Sector*. The Board noted the general support expressed for extending the scope of AASB 124 *Related Party Disclosures*. Participants also raised a range of issues,

The AASB Action Alert is issued by the Australian Accounting Standards Board (AASB). It reports on meetings of the AASB as a service to its constituents. Decisions reported are tentative and may be changed or modified by the AASB. Decisions become final only after completion of the formal processes required to issue documents. No responsibility is taken for the results of actions or omissions to act taken on the basis of any information in this report, or for any errors or omissions.



including the identification of key management personnel, remuneration and transaction disclosures in relation to government Ministers, and the potential difficulty of retrospective application on initial adoption by NFP public sector entities.

No decisions were made, pending consideration of all comments to be received on ED 214 – which is open for comment until 31 January 2012.

12. IPSASB Report

The Board received an update on the September 2011 meeting of the IPSASB, and discussed a range of issues. No decisions were called for.

In particular, the Board noted that the IPSASB had approved a Standard on accounting for service concession arrangements by grantors, which is expected to be finalised and published in the near future. The Board confirmed that once the IPSASB finalises its Standard, the Board will seek to develop an Australian ED based on that Standard. The ED may include proposed requirements that differ from the IPSASB Standard.

The Board also noted that the IPSASB commenced its consideration of the submissions received on various Conceptual Framework proposal documents and that the IPSASB discussed presentation and disclosure (phase 4 of the Conceptual Framework project), with a revised draft Consultation Paper to be considered at its next meeting for approval.

The IPSASB also approved an ED on reporting on the long-term sustainability of a public sector entity's finances and a Consultation Paper on reporting service performance information. Other topics discussed by the IPSASB included entity combinations, updating the consolidation and joint arrangements Standards, and financial statement discussion and analysis.

13. IASB Agenda Consultation

The Board noted progress in developing its submission on this matter. The submission is expected to be finalised at the December AASB meeting.

14. IFRS Advisory Council

Judith Downes, IFRS Advisory Council member, reported to the Board on proceedings at the IFRS Advisory Council meeting held on 10-11 October 2011. Proceedings included consideration of a review by the IFRS Trustees of the IFRS Interpretations Committee and the proposed approach of the Due Process Oversight Committee, the effectiveness of the Council's communications, IFRS Branding, and the IASB's Conceptual Framework, Revenue Recognition and Insurance Contracts projects.

The AASB Action Alert is issued by the Australian Accounting Standards Board (AASB). It reports on meetings of the AASB as a service to its constituents. Decisions reported are tentative and may be changed or modified by the AASB. Decisions become final only after completion of the formal processes required to issue documents. No responsibility is taken for the results of actions or omissions to act taken on the basis of any information in this report, or for any errors or omissions.



15. IFRS Interpretations Committee

The Board noted recent correspondence from the Board and the staff to the IFRS Interpretations Committee on draft agenda rejection statements relating to issues arising from IFRS 3 *Business Combinations* and IAS 12 *Income Taxes*; and on the Committee's current projects relating to IFRS 10 *Consolidated Financial Statements* and IFRIC 15 *Agreements for the Construction of Real Estate*.

The Board also noted the recent ratification by the IASB of IFRIC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*. The Board intends to vote out of session on issuing Interpretation 20 in Australia in the near future.

16. Integrated Reporting

The Board decided to make a high-level submission on the Discussion Paper *Integrated Reporting* issued by the International Integrated Reporting Committee (IIRC). The submission will express a view that the development of an integrated reporting framework should complement, rather than replace, financial reporting and suggest that, as a starting point, the IIRC should develop a Conceptual Framework and an explicit definition of integrated reporting.

17. Asian-Oceanian Standard-Setters Group (AOSSG)

The third annual AOSSG meeting will be held in Melbourne on 23-24 November 2011. Members of the public are welcome to join the audience for that meeting. Those wishing to attend should register at <http://www.aossg.org/meetings-and-events>.

18. Recently Approved Documents

At its September meeting, the Board decided to issue ED 220 *Investment Entities* (incorporating IASB ED/2011/4), open for comment to the AASB until 30 November 2011.

In addition, ED 221 *Government Loans* (incorporating IASB ED/2011/5) has been issued and is open for comment to the AASB until 5 December 2011.

19. Documents Open for Comment

The following documents are open for comment. AASB submissions are published on the AASB website.

Originating Organisation	Document	AASB No.	AASB Due Date	Other Organisation Due Date
AASB	Not-for-Profit Entities within the General Government Sector	ED 212	31 October 2011	–

The AASB Action Alert is issued by the Australian Accounting Standards Board (AASB). It reports on meetings of the AASB as a service to its constituents. Decisions reported are tentative and may be changed or modified by the AASB. Decisions become final only after completion of the formal processes required to issue documents. No responsibility is taken for the results of actions or omissions to act taken on the basis of any information in this report, or for any errors or omissions.



Originating Organisation	Document	AASB No.	AASB Due Date	Other Organisation Due Date
IASB	Request for Comment on IASB Request for Views <i>Agenda Consultation 2011</i>	ITC 25	10 November 2011	30 November 2011
AASB	AASB 12 <i>Disclosure of Interests in Other Entities</i> : Tier 2 proposals	ED 216	30 November 2011	–
AASB	AASB 127 <i>Separate Financial Statements</i> : Tier 2 proposals	ED 217	30 November 2011	–
IASB	Investment Entities	ED 220	30 November 2011	5 January 2012
AASB	Presentation of Items of Other Comprehensive Income: Tier 2 Proposals	ED 218	5 December 2011	–
AASB	AASB 13 <i>Fair Value Measurement</i> and AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i> : Tier 2 Proposals	ED 219	5 December 2011	–
IIRC	Integrated Reporting (Discussion Paper)	–	–	14 December 2011
IASB	Government Loans	ED 221	5 December 2011	5 January 2012
AASB	Users' Views Questionnaire on the Initial Accounting for Intangible Assets Acquired in Business Combinations	–	15 December 2011	–
AASB	Extending Related Party Disclosures to the Not-for-Profit Public Sector	ED 214	31 January 2012	–
IPSASB	Reporting on the Long-Term Sustainability of a Public Sector Entity's Finances (Exposure Draft)	–	–	29 February 2012
IPSASB	Reporting Service Performance Information (Consultation Paper)	–	–	15 April 2012

Minutes

The Board approved the minutes of Meeting 119, held on 7-8 September 2011. These are now available on the AASB's website.

The AASB Action Alert is issued by the Australian Accounting Standards Board (AASB). It reports on meetings of the AASB as a service to its constituents. Decisions reported are tentative and may be changed or modified by the AASB. Decisions become final only after completion of the formal processes required to issue documents. No responsibility is taken for the results of actions or omissions to act taken on the basis of any information in this report, or for any errors or omissions.



Next Meeting – 7-8 December 2011

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

- Revenue – Education session on IASB ED
- Leases – Project update
- Control in the NFP Sector
- Proposed MRRT
- IASB Agenda Consultation – sweep issues
- Consolidation – Investment Entities – consideration of IASB ED
- Government Loans – consideration of IASB ED
- Financial Instruments – Macro Hedging – Education session
- Reporting Service Performance Information – consideration of IPSASB Consultation Paper

Future Meeting Dates

The remaining 2011 meeting dates are:

- 7-8 December

The 2012 meeting dates are:

- 15-16 February
- 14-15 March (if required)
- 18-19 April
- 6-7 June
- 25-26 July
- 5-6 September
- 31 October – 1 November (revised dates)
- 12-13 December

Unless indicated otherwise, meetings are held in Melbourne.

The AASB Action Alert is issued by the Australian Accounting Standards Board (AASB). It reports on meetings of the AASB as a service to its constituents. Decisions reported are tentative and may be changed or modified by the AASB. Decisions become final only after completion of the formal processes required to issue documents. No responsibility is taken for the results of actions or omissions to act taken on the basis of any information in this report, or for any errors or omissions.