



To:	AASB members	Date:	15 April 2010
From:	Mischa Ginns and Jim Paul	Agenda Item:	12.1
Subject:	PBE/NFP-specific modifications to the IFRS to replace IAS 37	File:	

Actions

The Board is asked to:

- consider the possible approaches identified by AASB staff in respect of the public benefit entity/not-for-profit entity (PBE/NFP)-specific modifications for the Australian standard that would incorporate the IFRS that replaces IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as set out in Agenda Paper 12.2 (the staff paper);
- decide whether to approve the proposed modifications set out in Agenda Paper 12.2; and
- decide the due process for the proposed PBE/NFP-specific modifications.

Attachment

12.2 Staff Paper: PBE/NFP-specific modifications to the IFRS to replace IAS 37

Agenda Paper 12.2

Agenda Paper 12.2 sets out:

- the background to the existing PBE/NFP-specific modifications to IAS 37 in AASB 137;
- the decision at the joint AASB/FRSB meeting in March 2010 affecting the modification regarding obligations arising from local government or government existing public policies, budget policies, election promises and statements of intent;
- the approaches considered by AASB staff regarding that modification;
- the AASB staff's proposed approach;
- proposed illustrative examples of non-discretionary grants and discretionary grants; and
- considerations regarding whether to expose for public comment the Board's PBE/NFP-specific modifications to the IFRS that is expected to replace IAS 37.

Background

At their March 2010 joint meeting, the AASB and FRSB discussed Agenda Paper B7.3, which proposed PBE/NFP-specific modifications for the Australian and New Zealand Standards that will incorporate the IFRS that replaces IAS 37. The Boards also had before them a copy of the Working Draft IFRS *Liabilities*, which was placed on the IASB web site on 19 February 2010.

The draft minutes of the March 2010 joint Board meeting say:

“In relation to the possible PBE/NFP-specific modifications to the IFRS to replace IAS 37, based on the Working Draft IFRS *Liabilities*, the Boards:

- (a) agreed tentatively that a PBE/NFP modification would be necessary; and
- (b) directed the staffs to:
 - (i) rework Agenda paper B7.3 to clarify its objectives and include a joint recommendation;
 - (ii) include a thorough analysis of PBE/NFP issues;
 - (iii) include an analysis of how the IPSASB modified IAS 37 in developing IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*, updated for the wording differences between IAS 37 and the Working Draft IFRS *Liabilities*; and
 - (iv) exclude from the recommended PBE/NFP-specific modification in relation to obligations expressed in legislation or arising from public policies or equivalent:
 - (A) the guidance presently in paragraphs Aus26.1 and Aus26.2 of AASB 137 on when present obligations do, and do not, arise (because such guidance is incompatible with a scope exclusion); and
 - (B) the references to obligations with characteristics similar to executory contracts presently made in paragraphs NZ 1.1 and NZ 3.1 – NZ 3.3 of NZ IAS 37. Instead, the modification should be described as excluding items for which the treatment is presently unresolved (both internationally and domestically).”

Joint deliberations

The proposals in these agenda papers were developed in consultation with FRSB staff. FRSB staff agree with these proposals, except that they have yet to decide the range of entities subject to the PBE/NFP modification they will propose to the FRSB regarding obligations arising from local government or government existing public policies, budget policies, election promises and statements of intent. Due to the urgency of this topic, Board papers have been distributed while that potential difference between the staffs remains. However, that difference is clearly separable from the other issues on which Board members are asked to make a decision.

The AASB is requested to form views on these issues in the attached staff paper, which would be taken into account by the FRSB in forming its views on the same issues when it discusses them at its meeting on 3 May 2010.