



To:	AASB members	Date:	14 April 2010
From:	Robert Keys	Agenda Item:	15.1
Subject:	GAAP/GFS harmonisation: entities within the GGS	File:	

Action

Consider the project staff recommendations in agenda paper 15.2, and decide the next step in the project.

Background

At its December 2009 meeting, the Board noted the FRC's view that the issue of non-mandatory guidance on GAAP/GFS harmonisation for entities within the GGS would not satisfy the FRC's direction on this topic.

At its February 2010, the Board directed staff to further develop staff recommendations for the content of a Standard focusing explicitly on improving the usefulness of general purpose financial statements of entities within the GGS, having regard to cost/benefit considerations and the Board's other projects. Agenda paper 15.2 is the project staff response to that Board direction.

Agenda paper 15.2 breaks the entities within the GGS GAAP/GFS harmonisation phase of the project down into components. It is intended that the paper be used by the Board as a basis for discussing most of the components independently of each other. Once each component has been considered, the Board can then reflect back on the accumulated outcome of its discussions and what it might mean overall for GAAP/GFS harmonisation and the quality of financial reporting.

Summary of project staff recommendations

In broad terms, project staff have arrived at the tentative view, reflected in agenda paper 15.2, that a stand-alone Standard applicable to general purpose financial statements of not-for-profit entities within the GGS should be developed that:

- (a) requires an entity to adopt a GAAP **recognition and measurement** option that aligns with GFS (see paragraphs 6-9 of agenda paper 15.2). Guidance on applying that principle (based on Appendix A of agenda paper 15.2) should be included in the Standard;

- (b) requires an entity to elect whether to adopt GAAP/GFS harmonised **classification and presentation** on the face of the financial statements, or to disclose such information in the notes (see paragraphs 10-20 of agenda paper 15.2). Guidance on GAAP/GFS harmonised classification and presentation (based on Appendices C and D of agenda paper 15.2) should be included in the Standard – including an illustrative example of financial statements prepared on the assumption that an entity elects to adopt GAAP/GFS harmonised classification and presentation on the face of the financial statements);
- (c) requires an entity to disclose the same kind of **budgetary reporting information**, and under the same circumstances, as is required of the whole of government (WoG)/GGS by AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (see paragraphs 21-30 of agenda paper 15.2);
- (d) does not specify requirements relating to the disclosure of **disaggregated information** (see paragraphs 31-34 of agenda paper 15.2);
- (e) does not amend the current requirements relating to the disclosure of **administered items** (see paragraphs 35-39 of agenda paper 15.2);
- (f) requires **other disclosures** that an entity elects to make to be made in a way that does not detract from the information provided in accordance with the Standard (see paragraphs 48 and 49 of agenda paper 15.2);
- (g) adopts the same kind of **transitional requirements** contained in AASB 1049 for WoG (because, like WoG, entities within the GGS would have previously adopted AASB 1) (see paragraphs 40-43 and 45 of agenda paper 15.2); and
- (h) adopts an **operative date** that allows at least three years before mandatory adoption, with early adoption allowed (see paragraphs 44 and 45 of agenda paper 15.2).

In addition, agenda paper 15.2 recommends:

- (a) in relation to **intra-WoG transactions and balances**, the Board consider requiring the WoG/GGS to disclose the contribution of each material controlled entity before and after eliminations (as a disaggregation) (see paragraphs 46 and 47 of agenda paper 15.2);

- (b) an **accounting policy note** be required to disclose that GAAP/GFS harmonisation is the basis for the general purpose financial statements; and, depending on whether the Standard cross-references to the ABS GFS Manual, an accounting policy note be required to disclose the extent to which the ABS GFS Manual is the basis for the general purpose financial statements (see paragraphs 48 and 49 of agenda paper 15.2);
- (c) the **scope of the project** not be broadened to include:
 - (i) other current and potential future projects of the Board (see paragraphs 50-54 of agenda paper 15.2); or
 - (ii) entities other than not-for-profit entities within the GGS (see paragraphs 50 and 55-57 of agenda paper 15.2);
- (d) a **stand-alone Standard** should be developed (see paragraphs 58 and 59 of agenda paper 15.2);
- (e) the **Basis for Conclusion** to accompany the Standard should be based on the rationale provided for each of the project staff recommendations in agenda paper 15.2 (see paragraphs 60 and 61 of agenda paper 15.2); and
- (f) because of the significant differences between the project staff recommendations and the proposals in ED 174 *Amendments to Australian Accounting Standards to facilitate GAAP/GFS Harmonisation for Entities within the GGS [AASBs 101, 107 and 1052]*, the project staff recommendations should be incorporated into an **Exposure Draft** and subject to the usual due process (see paragraphs 62 and 63 of agenda paper 15.2).

Attachments

Agenda paper 15.2: Issues paper: GAAP/GFS Harmonisation Entities within the GGS – Project staff recommendations for the content of a Standard.