

Draft Minutes

27-28 October 2010 AASB/FRSB meeting

Trans-Tasman Convergence

Agenda Item B1

The Boards had before it:

- (a) a memorandum from Chris Neame, Maybelle Chia and Cameron Hall dated 18 October 2010 (Agenda paper B1.1);
- (b) a project summary to date (Agenda paper B1.2);
- (c) an issues paper *Consideration of Key Comments from Submissions* (Agenda paper B1.3);
- (d) a joint collation on the specific proposals (Agenda paper B1.4);
- (e) a list of Australian submissions (Agenda paper B1.5);
- (f) a list of New Zealand submissions (Agenda paper B1.6); and
- (g) a joint collation on the overall AASB/FRSB questions (Agenda paper B1.7).

The Boards considered Agenda paper B1.3 in respect of the joint convergence proposals and the removal of Australian-specific and New-Zealand-specific differences from IFRSs and differences between Australia and New Zealand that are the subject of AASB ED 200A/FRSB ED 121 *Proposals to Harmonise Australian and New Zealand Standards in Relation to Entities Applying IFRSs as Adopted in Australia and New Zealand* and AASB ED 200B/FRSB ED 122 *Proposed Separate Disclosure Standards*.

The Boards noted broad support among respondents for the convergence process.

In relation to the disclosures in addition to those in the IFRSs (Section 1 of Agenda paper B1.3), the Boards expressed a preference for locating them in separate disclosure standards.

In relation to the specific joint disclosure proposals (Section 2 of Agenda paper B1.3):

- (a) given the views expressed by some constituents about disclosing audit fees relating to subsidiaries in the context of consolidated financial statements, the Boards asked staff to consider clarifying the wording to better convey that the disclosures are meant to capture fees paid to each auditor of any entity in the group, including for:
 - (i) the audit of the parent entity;
 - (ii) the audit of the subsidiary;
 - (iii) all other services of the parent entity; and
 - (iv) all other services of the subsidiary;
- (b) the Boards asked staff to consider incorporating a notion of 'related practice' in the disclosures by drawing on the relevant pronouncement of the Accounting Professional & Ethical Standards Board and the Australian Corporations Act;
- (c) the Boards decided to proceed with the imputation credit disclosure requirements as proposed; and
- (d) given the objections from constituents to the proposed deletion of the requirement to disclose a reconciliation of operating cash flows to profit and loss and the likelihood of the IASB introducing

a reconciliation disclosure in its Financial Statement Presentation project, the Boards decided to retain this requirement and explain their reasoning in the Basis for Conclusions.

In relation to the Australian-specific issues (Section 3 of Agenda paper B1.3):

- (a) the AASB noted the concerns expressed by some constituents about introducing the true and fair override from IAS 1 *Presentation of Financial Statements*, which would become available to Australian entities other than those reporting under the *Corporations Act 2001*. The Boards noted that the relevant New Zealand legislation that prevents entities from using the override is the Financial Reporting Act 1993, which has much wider application than the Australian *Corporations Act 2001*. Accordingly, the AASB decided to include the true and fair override from IAS 1 for the sake of IFRS compliance only, in respect of for-profit entities and insert an Aus paragraph to prohibit the override being used by not-for-profit entities;
- (b) the AASB noted the usefulness of the 'entity' definition but also expressed concerns that its retention could potentially result in a conflict with the forthcoming joint arrangements standard. Given that the definition remains in SAC 1 *Definition of the Reporting Entity*, the AASB decided to proceed with deleting the 'entity' definition from AASB 101 for conformity of drafting with IFRSs but without any intention to change requirements;
- (c) the AASB noted that removing paragraph Aus 7.1 of Interpretation 113 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* may widen the range of accounting policy options available and decided to provide a reference to AASB 108 in relation to changes of accounting policy and to explain the implications in the Basis for Conclusions; and
- (d) the AASB reaffirmed its desire to delete the individual key management personnel disclosures from AASB 124 *Related Party Disclosures* and directed staff to liaise with the Corporations and Markets Advisory Committee in regards to its review of executive remuneration with an emphasis on having any relevant disclosure requirements included in the law.

Due to time constraints, the Boards did not consider the New Zealand-specific issues (Section 4 of Agenda paper B1.3) and the FRSB decided to discuss these issues at its November 2010 meeting.

The Boards decided to bring the proposed timeline forward and decided that draft Amending Standards and any related issues paper on remaining issues be considered at the December 2010 AASB and FRSB individual meetings, with a view to approving the final amending standards at the January 2011 FRSB meeting and February 2011 AASB meeting.

Action:

Staff