



To:	AASB members	Date:	17 November 2011
From:	Sue Lightfoot and Huy Pham	Agenda Item:	8.1
Subject:	ED 221 <i>Government Loans</i> (proposed amendments to AASB 1)	File:	

Action

Determine the key points to be made in, and the process for the AASB's submission to the IASB on Exposure Draft ED/2011/5 *Government Loans Proposed Amendments to IFRS 1* that is due for comment by 5 January 2012.

Background

In October 2011, the IASB published an ED/2011/5 seeking comments on Government Loans (Proposed amendments to IFRS 1) by 5 January 2012. The AASB issued ED 221 [Agenda paper 8.2] incorporating ED/2011/5 with a comment date of 5 December 2011.

Paragraph 10A of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance requires that the benefit of a government loan at a below-market rate of interest is treated as a government grant. The proposed amendment to IFRS 1 would permit a first-time adopter to apply the requirements of paragraph 10A of IAS 20 prospectively to loans entered into on or after the date of transition to IFRSs. Alternatively a first time adopter would be permitted to apply the requirements in paragraph 10A of IAS 20 retrospectively from the date on which a government loan was originated, provided that the information needed to apply these requirements was obtained at the time of initial accounting for that loan. Unless we hear a contrary view from respondent our preliminary thinking is that the proposals are reasonable and should be supported.

The preface to the AASB's ED notes that if the proposals in this ED were to proceed they would not affect not-for profit entities, because the proposals relate to AASB 120 which is not applicable to not-for-profit entities. However, consideration could be given to adopting a similar exception in the context of accounting for government loans under AASB 1004 *Contributions*. As implied in specific matter for comment 3, unless we hear a contrary view from respondents, our preliminary view is that there is not any practical need to amend AASB 1004.

The AASB has not received any comment letters at the time of preparing this memorandum. The staff will provide a verbal update at the December 2011 meeting by which time the comment period for the AASB issued ED 221 will have closed. We suggest that Board form a subcommittee to finalise a submission out of session.

Attachments

Agenda paper 8.2 - ED 221 *Government Loans* (proposed amendments to AASB 1).