

EXTRACT FROM MINUTES: AASB 29-30 JULY 2009 MEETING

GAAP/GFS Harmonisation – Entities within the GGS

Agenda Item 10

The Board had before it:

- (a) a memorandum from Robert Keys, Latif Oylan and Chris Pang dated 15 July 2009 (Agenda paper 10.1);
- (b) a draft paper *Progress Report on the AASB's GAAP/GFS Harmonisation Project* for the purpose of informing Financial Reporting Council (FRC) members (Agenda paper 10.2); and
- (c) a paper articulating Glenn Appleyard's alternative view (Agenda paper 10.3).

The Board considered the agenda papers and confirmed its June 2009 decision that, based on its consideration of responses to ED 174 *Amendments to Australian Accounting Standards to facilitate GAAP/GFS Harmonisation for Entities within the GGS [AASBs 101, 107 and 1052J]*, its preference is to not proceed with Phase 2 of the GAAP/GFS Harmonisation project. Accordingly, the Board decided that the *Progress Report* should ask the FRC to reconsider its broad strategic direction in relation to financial reporting by entities within the GGS, on the basis that the AASB has significant reservations about the usefulness of the proposed incorporation of GFS presentation and classifications into the general purpose financial statements of entities within the GGS.

The Board decided that the draft *Progress Report*:

- (a) should not refer to the conceivable alternative approach to ED 174 of deferring completion of Phase 2 of the GAAP/GFS Harmonisation project pending the outcome of the post-implementation review of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, because that post-implementation review is unlikely to throw significant further light on the issues;
- (b) should acknowledge in paragraph 15 that a possible alternative approach to ED 174, would be to not impose GAAP/GFS harmonisation requirements on entities within the GGS, but instead to issue non-mandatory guidance (based on

- the proposals in ED 174) that could be used if a jurisdiction/entity elects to present GAAP/GFS harmonised general purpose financial statements.
- Furthermore, the tail of paragraph 15 should be replaced with a statement along the lines of "Board members expressed a variety of views on these alternatives";
- (c) should be amended to avoid a dogmatic tone (e.g. "there is no evidence", "unable to find evidence" and "most constituents expressed the view that ... "). The relevant text should be replaced with more generic phraseology (e.g. "AASB has reservations about ... " and "some constituents expressed the view that ... ");
 - (d) should note that a significant majority (11 out of 13) of Board members expressed a preference for the Board not to proceed with Phase 2 of the GAAP/GFS Harmonisation project; and
 - (e) should not include the appendix, because the appendix might distract the reader from the message included in the body. Instead the body of the *Progress Report* should include some of the more significant points noted in the appendix, to give them greater prominence. For instance, the comment that the Board has more urgent priorities in relation to public sector financial reporting, including control in the public sector and accounting for administered items, should be included in the body of the paper.

Subject to the draft *Progress Report* being amended to reflect the above decisions, the Board agreed it should be finalised through the Chairman out-of-session.

Action: Staff
 Chairman