

## **EXTRACT FROM MINUTES: AASB 24 SEPTEMBER 2008 MEETING**

### **AMENDMENTS TO AASB 1049 FOR CONSISTENCY WITH AASB 101**

Agenda item 4

The Board had before it:

- (a) a memorandum from Robert Keys and Robert Orford dated 9 September 2008 (Agenda Paper 4.1);
- (b) a staff analysis of submissions on ED 163 *Proposed Amendments to AASB 1049 for Consistency with AASB 101* (Agenda Paper 4.2);
- (c) draft Standard AASB 2008-X *Amendments to AASB 1049 for Consistency with AASB 101* (marked-up version of ED 163 [except paragraph 40(g)R3 and Basis for Conclusions]) (Agenda Paper 4.3);
- (d) draft 'compiled' AASB 1049 – marked-up from AASB 1049 (October 2007) (Agenda Paper 4.4);
- (e) a submission on ED 163 from the Australasian Council of Auditors-General (ACAG) (Agenda Paper 4.5);
- (f) a submission on ED 163 from the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) (Agenda Paper 4.6); and
- (g) ED 163 *Proposed Amendments to AASB 1049 for Consistency with AASB 101* (Agenda Paper 4.7)

The Board considered the responses to ED 163 and the staff analysis of those responses and decided that some of the issues raised by respondents (noted on Attachment B to these minutes) are outside the limited scope of ED 163 and should be considered as part of a separate post-implementation review of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

The Board reviewed the draft amending Standard AASB 2008-X, which reflected some of the comments made by respondents. Subject to amendments agreed to by the Board (see Attachment B to these minutes) and final quality control processes by staff and clearance by the Chairman, the Board made AASB 2008-9, which is applicable to annual reporting periods beginning on or after 1 January 2009. Early adoption is permitted provided AASB 101 *Presentation of Financial Statements* (September 2007) is applied at the same time.

Action:            Staff  
                                 Chairman

## GAAP/GFS HARMONISATION FOR ENTITIES WITHIN THE GGS

Agenda item 6

The Board had before it

- (a) a memorandum from Robert Keys and Robert Orford, dated 9 September 2008 (Agenda Paper 6.1)
- (b) a staff paper *GAAP/GFS harmonisation for entities within the GGS – analysis of Heads of Treasuries (HoTs) letter to AASB*, dated 28 July 2008 (Agenda Paper 6.2); and
- (c) a letter from Jim Murphy, Chair, Heads of Treasuries, dated 28 July 2008, to David Boymal, Chairman AASB, re GAAP/GFS harmonisation (Agenda Paper 6.3).

The Board noted that:

- (a) it made tentative decisions relating to GAAP/GFS harmonisation for entities within the GGS at its May 2008 meeting, with the expectation that those decisions would be reconsidered when the views of Heads of Treasuries (HoTs) became known. At the time, the Board was particularly concerned about the potentially onerous nature of its tentative decisions and questioned whether they could be justified on the grounds of cost/benefit and relevance to users; and
- (b) the letter from HoTs provided further insight into the practicalities of some of the issues.

After considering the HoTs letter, the Board decided that:

- (a) the approach to GAAP/GFS harmonisation for entities within the GGS should differ from that adopted in AASB 1049 *Whole of Government and General Government Sector Financial Reporting* for GGSs and whole of governments, particularly on the grounds of the relevance of information for users;
- (b) GAAP/GFS harmonisation for entities within the GGS could be achieved by those entities adopting applicable Australian Accounting Standards and by the Board amending AASB 101 *Presentation of Financial Statements* to specify that those entities should adopt the financial statements formats prescribed in AASB 1049 (in particular, the transactions/other economic flows split in the statement of comprehensive income), but exclude the key fiscal aggregates section at the foot of the statements; and
- (c) the key fiscal aggregates section at the foot of the GGS and whole of government financial statements would not be relevant to users of financial statements of entities within the GGS.

The Board also agreed that:

- (a) the other GAAP/GFS harmonisation requirements in AASB 1049 are also not relevant at an entity-within-the-GGS level, including the requirement to disclose sector



## ATTACHMENT B

### AMENDMENTS TO AASB 1049 FOR CONSISTENCY WITH AASB 101

Agenda item 4

The Board considered Agenda Paper 4.2 and decided that:

- (a) consistent with staff view 1, where an entity elects to early adopt revised AASB 1049 it should also early adopt AASB 101 *Presentation of Financial Statements* (September 2007);
- (b) consistent with staff view 2, issues raised by HoTARAC relating to budgetary reporting should be considered in the context of a post-implementation review of AASB 1049 and not in the context of this limited-scope project;
- (c) consistent with staff view 3, for consistency with AASB 101 and the broad approach in AASB 1049, a statement of changes in equity should be required for GGSs and whole of governments (and the sectors therein). Some Board members questioned whether such a statement would necessarily provide useful information, particularly in relation to the PNFC and PFC sectors, and in circumstances where there are no distributions to owners as owners. The Board noted, however, that the Amending Standard would not require a statement of changes in equity to be prepared when it is concluded that it is not necessary on materiality grounds;
- (d) in relation to staff view 4, the illustrative statement of changes in equity for the whole of government by sector to be included in the amended AASB 1049:
  - (i) should adopt a down-the-page format, rather than an across-the-page format;
  - (ii) for consistency with the fact set in the Illustrative Examples in AASB 1049, a 'dividend' column should be added, to illustrate the payment of dividends by the PNFC and PFC sectors to the GGS;
  - (iii) sub-totals should be shown for each sector, for consistency with the requirement in paragraph 106(a) of AASB 101 for the comprehensive result to be shown in the statement;
  - (iv) staff should consider a way of describing the line items currently described as 'net gain ...' (which implies a flow notion) to be consistent with the stock notion adopted for the other line item descriptions; and
  - (v) to simplify the example, the 'zero' shown for the line item currently described as 'net gain on equity investments in other sector entities measured at proportional share of the carrying amount of net assets/(liabilities)' should be avoided whilst maintaining the consistency of numbers throughout the illustrative examples;
- (e) ED 163 proposals relating to transitional requirements should be adopted;

- (f) overall, a Standard adopting the proposals in ED 163 amended to reflect the above decisions would result in financial statements that would be useful to users and is in the best interests of the Australian economy;
- (g) consistent with staff view 5, the exemption from disclosing certain information that enables financial statement users to evaluate the entity's objectives, policies and processes for managing capital as per paragraph Aus1.7 of AASB 101 should not be reviewed as part of this project. Instead, the issue should be considered as part of the post-implementation review of AASB 1049; and
- (h) the ACAG suggestion that AASB 1049 be amended to clarify whether or not GGS financial statements comply with the 'fair presentation' framework should not be addressed as part of the ED 163 project, for the reasons presented in staff view 6.

The Board considered the draft amending Standard (Agenda Paper 4.3) and approved the issue of the Standard, subject to the above and following decisions:

- (i) the mark-up in paragraph 3 within paragraph 6, which refers to early adoption of AASB 101, should be moved to the end of paragraph 4 within paragraph 6, because that is where early adoption of AASB 1049 is referred to;
- (j) in relation to paragraph 28, the Board agreed that revised paragraph 45 of AASB 1049 should refer to the latest version of AASB 127. The Board also agreed with the staff view noted in the margin text-box that footnote 1 of the amending Standard adequately deals with the fact that two versions of AASB 127 will co-exist for a short period of time;
- (k) in relation to paragraph 32 (and elsewhere), the Board noted that the drafting style of, for example, amended paragraph 52 of AASB 1049 is "the whole of government shall disclose ..." rather than "the whole of government financial statements shall disclose ...". The latter is more consistent with the Board's usual style of drafting. The Board agreed to retain the new style, noting that it uses fewer words and is clear in its meaning. However, the Board decided to change phrases like 'disclosed by whole of governments' to 'disclosed for whole of governments'; and
- (l) in relation to paragraph 39, containing the amendments to the term and definition of 'whole of government financial report' currently used in AASB 1049, the Board asked staff to ensure that the relationship between the term 'financial statements' and 'general purpose financial statements' is clear, by having regard to the approach used in AASB 101. The approach used in AASB 101 would mean that the term 'whole of government financial statements' could be used throughout an amended AASB 1049 as effectively a reference to 'whole of government general purpose financial statements'.