

EXTRACT FROM MINUTES: AASB 27 MAY 2004 MEETING

GAAP/GFS CONVERGENCE

Agenda item 3

The Board had before it:

- (a) a memorandum from Robert Keys and Bob Orford dated 20 May 2004 (Agenda paper 3.1);
- (b) a staff paper on the relative merits of alternative approaches to facilitate General Government Sector (GGS) financial reporting through accounting standards (this paper is identical to Agenda paper 12.2 provided for the 12-13 May 2004 meeting) (Agenda paper 3.2).
- (c) an extract from Stage 1 of the collation and analysis of submissions in relation to questions pertaining to the status of GGS financial reporting (this paper is an unamended extract from Agenda paper 12.3 provided for the 12-13 May 2004 meeting) (Agenda paper 3.3); and
- (d) pertinent paragraphs from SAC 1 *Definition of the Reporting Entity* (this paper provides extracts from SAC 1 that lend support to the view that GGS financial reports prepared on a partial consolidation basis are not general purpose financial reports) (Agenda paper 3.4).

The Board discussed the advantages and disadvantages of alternative approaches that would result in an Accounting Standard that facilitates preparing GGS financial reports on a basis that does not include consolidating certain controlled entities (that is, entities in other sectors), including:

- (a) regarding the GGS as a reporting entity and requiring it to only consolidate some controlled entities (in accordance with GFS principles); and effectively deeming the financial report to be a general purpose financial report (GPFR);
- (b) deeming the GGS (as defined by GFS) to be analogous to a parent entity within the whole of government and effectively deeming the separate GGS report to be a GPFR;
- (c) regarding the GGS as a sector of whole of government and specifying whole of government GPFR requirements that include disclosure of a “partially consolidated” GGS financial report, which could be extracted as a stand alone financial report (that is not a GPFR); and
- (d) regarding the GGS as a sector of whole of government and specifying requirements for a stand alone GGS financial report that is not a GPFR.

The Board decided that approach (c) should be adopted and that staff should structure a draft Exposure Draft based on that approach. The Board noted that its decision provides significant direction to staff to enable staff to progress the project in that context. To the extent that other issues are not adequately addressed by approach (c) (such as, possibly, the preparation and presentation of GGS financial reports before whole of government financial reports) they will be further considered at a future meeting.

The Board also noted that:

- (a) consistent with approach (c) the GAAP/GFS convergence project relates to whole of government financial reporting as well as GGS financial reporting;
- (b) an amended implementation plan for the FRC strategic direction on GAAP/GFS convergence, including a revised timetable, has been posted on the AASB website;

- (c) AASB 114 *Segment Reporting*, paragraph 15, comments that the nature of a segment is open to judgment and needs to be determined in the light of the objectives of segment reporting and the qualitative characteristics of financial information. This may facilitate the development of enhanced sector reporting requirements in the draft Exposure Draft. In addition, the Board noted that IPSAS 18 *Segment Reporting* may provide some guidance and that the Board has indicated in AASB 114 that it will consider IPSAS 18 as part of a separate project on segment reporting by not-for-profit entities; and
- (d) it does not agree with the first dot point disadvantage listed in Agenda paper 3.2 for approach (c). The dot point states that approach (c) “Does not enable publication of a stand alone GGS financial report before a whole of government GPFR [compared with approaches (a) and (d)]”.

Action:

Staff