

EXTRACT FROM MINUTES: AASB 8-9 DECEMBER 2004 MEETING

GAAP/GFS CONVERGENCE

Agenda item 8

The Board had before it:

- (a) a memorandum from Robert Keys, Robert Orford and Ami Lammerts Van Bueren, dated 7 October 2004 (Agenda paper 8.1);
- (b) draft converged statement of financial performance and fiscal impact for the General Government Sector (GGS) of a government (Agenda paper 8.2);
- (c) draft converged statement of financial and fiscal position for the GGS of a government (Agenda paper 8.3);
- (d) draft converged statement of cash flows for the GGS of a government (Agenda paper 8.4);
- (e) HOTARAC submission: Statement of Cash Flows, dated 7 October 2004 (Agenda paper 8.5);
- (f) briefing paper for the AUASB GAAP/GFS Convergence on audit issues relating to financial reporting by the GGS of a government (Agenda paper 8.6); and
- (g) replacement for Attachment D to Agenda paper 8.2 and Attachment F to Agenda paper 8.3 (Agenda paper 8.1a -tabled).

Status of GGS financial reporting

The Board discussed the status of GGS financial reporting including the audit issues relating to special purpose financial reports and noted that the AUASB has held preliminary discussions on the issue but did not express a view on whether it would amend audit reporting requirements for special purpose financial reports that are prepared in accordance with an AASB standard. The AUASB noted that its actions would depend on AASB decisions concerning the status of the GGS financial report and that further consideration would be given to the issue at a future date in the light of emerging decisions from the AASB.

Draft converged financial statements

The Board considered alternative draft converged financial statements for the GGS of a Government as presented in Agenda papers 8.2 to 8.4.

Converged income statement (Agenda paper 8.2)

The Board:

- (a) expressed a strong preference for the converged income statement format in Attachment B to Agenda paper 8.2 with some amendments, including the addition of note disclosures of GFS line item amounts where the split of the total column into transactions and other economic flows does not equate with GFS; the deletion of the sub-totals on the line immediately above “comprehensive result” in the transactions and other economic flows columns; and the insertion of a line under the balance for the line item “GFS net Other Economic Flows”, and a single (not double) line under the balance for the line item “Total net acquisition of non-financial assets”. The Board also agreed that to improve the flow of the statement, the GFS net lending/borrowing should be derived by adding/deducting items within the “Derivation of GFS net lending/borrowing” section;

- (b) noted that the format in Attachment B uses a columnar approach to presenting transactions and other economic flows should be included in the ED as an acceptable format and that alternative suitable formats should not be prohibited; and
- (c) decided that the views of the Project Advisory Panel should be sought on Attachments B and C to Agenda paper 8.2.

Converged balance sheets (Agenda paper 8.3)

The Board:

- (a) expressed a preference for the converged balance sheet format in Attachment E to Agenda paper 8.3 with some amendments, including moving the “equity” section to the top of the statement so that “net worth” is derived following the presentation of “net assets”, and inserting a single line under the balance for line item “Net assets”; and
- (b) decided that the views of the Project Advisory Panel should be sought on Attachments D and E to Agenda paper 8.3.

Converged cash flow statements (Agenda paper 8.4)

The Board:

- (a) expressed a preference for the converged cash flow statement in Attachment B (showing cash flows in the order: financing; investing; operating) to Agenda paper 8.4; and
- (b) decided that the views of the Project Advisory Panel should be sought on that preference, as well as an alternative format proposed in Attachment C of Agenda paper 8.5 which follows a more traditional cash flow statement format but with GFS analytical measures in a dialogue box as an addendum, but on the same page as, the cash flow statement.

The Board noted that a meeting of its Public Sector Sub-Committee with the GAAP/GFS Project Advisory Panel and other interested constituents is arranged for 15 December 2004 in order to provide and receive feedback on the key decisions taken by the Board to date (including those outlined above) and to obtain further input on the remaining issues.

The Board noted that liaison with the New Zealand Financial Reporting Standards Board should be undertaken and noted that New Zealand are pursuing sector-neutral standards and that there is no equivalent strategic direction to pursue GAAP/GFS convergence in New Zealand.

The Board also noted the importance of obtaining the views of users (in particular Public Accounts Committees) on the Board’s proposals and noted that the Project Advisory Panel member representing the Australasian Council of Public Accounts Committees is unable to attend the meeting of the Panel with the Board’s Public Sector Sub-committee on 15 December 2004.

The Board decided that it should meet in session with a range of constituents with an interest in the GAAP/GFS project for a half-day at its February 2005 meeting.

Action:

Staff
Sub-Committee