



To:	AASB Members	Date:	25 January 2011
From:	Raymond Yu and Clark Anstis	Agenda Item:	4.1
Subject:	Related Party Disclosures for NFP Public Sector Entities	File:	

Action

Consider issues relating to the application of AASB 124 *Related Party Disclosures* to not-for-profit (NFP) public sector entities, with a view to providing a basis for staff to prepare a draft Exposure Draft.

Attachments

Agenda Paper 4.2 Issues Paper *Related Party Disclosures in the Not-for-Profit Public Sector*

Background

The scope of AASB 124 does not include NFP public sector entities. The revised AASB 124 (issued December 2009) is more amenable than the December 2005 version to application in the NFP public sector as a result of the IASB providing a partial exemption from the disclosure requirements for entities that are related by virtue of being controlled, jointly controlled or significantly influenced by the same government (see paragraphs 25 and 26, reproduced in the Appendix to Agenda Paper 4.2).

The Board has had several discussions in previous meetings regarding identifying related parties and key management personnel (KMP), with the Board deciding that the definition of KMP is sufficiently robust for the NFP public sector and therefore need not be amended for the NFP public sector.

The purpose of this agenda item is to further consider the need for disclosure exemptions for transactions of Ministers, in relation to all levels of government (i.e. including local government).

Board Decisions to Date

The following table presents Board decisions to date, which are to be incorporated into the Basis for Conclusions of an Exposure Draft:

Issues	Board decision
Whether an alternative definition (to that in Appendix A of AASB 3) for the term 'business' in paragraph 5 of AASB 124 is necessary?	Minutes, April 2010 meeting: The Board decided that an alternative definition of 'business' is not required. This is because it was decided that an alternative definition of 'business' (for example, FRSB's definition for its PBEs) for private sector NFP entities is not necessary when it issued AASB 3 <i>Business Combination</i> in March 2008. The Board decided that the term 'business' can be read broadly. In particular, the phrase "lower costs or other economic benefits directly to investors or other owners, members or participants" in the definition of 'business' in AASB 3 is broad and can be seen to apply to NFP public sector entities.
Whether additional remuneration disclosure requirements for key management personnel (KMP) in AASB 124 are required?	Minutes, April 2010 meeting: The Board prefers a transaction-neutral approach to setting Standards and therefore decided against any additional remuneration disclosure requirements.
Whether an amendment for the definition of KMP for NFP public sector entities is necessary?	Minutes, September 2010 meeting: The Board decided that the definition of KMP is sufficiently robust for the NFP public sector and therefore the definition of KMP need not be amended for the NFP public sector. However, the Basis for Conclusions should provide a rationale for this decision by noting that in a public sector context consideration is given to facts and circumstances in assessing whether a Minister is a KMP of NFP public sector entities.

Next Steps

As far as staff are aware, the issues raised in this agenda item are the only outstanding issues that need to be resolved before staff can commence drafting an Exposure Draft. Staff recommend that the Board appoint a subcommittee to work with staff to develop the pre-ballot draft.

Question for the Board

Do members agree with appointing a subcommittee?