



<b>To:</b>	<b>AASB Members</b>	<b>Date:</b>	27 May 2010
<b>From:</b>	<b>Mischa Ginns and Jim Paul</b>	<b>Agenda Item:</b>	3.1
<b>Subject:</b>	<b>PBE/NFP-specific modification to the IFRS expected to replace IAS 37</b>	<b>File:</b>	P100

## Action

The Board is asked to consider the attached staff paper and decide:

- whether the public benefit entity/not-for-profit entity (PBE/NFP)-specific modification in the Australian Standard incorporating the IFRS that replaces IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* should be in the form of guidance or a scope exclusion and, if the latter is preferred, the principles of that scope exclusion; and
- the due process for making the PBE/NFP-specific modification.

## Background

Paragraphs Aus26.1 and Aus26.2 of AASB 137 provide guidance on whether, and when, a local government, government department or government incurs a liability in respect of a local government's or government's existing public policy, budget policy, election promise or statement of intent. At its April 2010 meeting, the Board decided that, in respect of public sector not-for-profit entities, the new Standard replacing AASB 137 should preserve the present treatment of the items addressed in paragraphs Aus26.1 and Aus26.2 of AASB 137. The Board decided that, ideally, the PBE/NFP-specific modification to the new IFRS should be expressed as a scope exclusion.

At its meeting on 3 May 2010, the FRSB decided to maintain the status quo by retaining virtually unamended the current New Zealand PBE/NFP-specific modification in NZ IAS 37 to the New Zealand Standard incorporating the new IFRS that replaces IAS 37. The New Zealand PBE/NFP-specific modification is worded as a scope exclusion. The only changes that might be made to the existing PBE/NFP-specific modification are those necessary to accommodate changes between

IAS 37 and its replacement IFRS. The FRSB considers that its decision would achieve a converged outcome with the implementation of the AASB's decision to preserve the present treatment of the items addressed in the Aus paragraphs in AASB 137.

As a consequence of the FRSB's decision to retain virtually unamended the current New Zealand scope exclusion, the AASB staff independently worked on developing a PBE/NFP-specific modification for the Standard replacing AASB 137. The staff paper evaluates various notions that could form the basis of a scope exclusion.

## Staff recommendations

- (1) The guidance in the Aus paragraphs in AASB 137 should be carried forward, virtually unamended, to the replacement Standard for AASB 137 because of the problems inherent in framing a scope exclusion that preserves current practice; and
- (2) The PBE/NFP-specific modification made to the new IFRS does not require exposure for public comment.

## **Attachment**

Agenda Paper 3.2      Staff Paper: PBE/NFP-specific modification to the IFRS expected to replace IAS 37