

EXTRACT FROM DRAFT MINUTES: AASB 12-13 DECEMBER 2012 MEETING

Budgetary Reporting

Agenda Item 18

The Board had before it:

- (a) a memorandum from Shu In Oei dated 26 November 2012 (agenda paper 18.1);
- (b) Pre-Ballot Draft AASB 105X *Budgetary Reporting* (agenda paper 18.2);
- (c) Pre-Ballot Draft AASB 2012-XX *Amendments to Australian Accounting Standard – Relocation of Budgetary Reporting Requirements* [AASB 1049] (agenda paper 18.3);
- (d) Extract of AASB Minutes 25-26 July 2012 (agenda paper 18.4); and
- (e) Marked-up Revised Pre-Ballot Draft AASB 105X reflecting amendments arising from Board Members' comments on agenda paper 18.2 provided to staff out-of-session prior to the Board Meeting – tabled (agenda paper 18.5)

As part of its consideration of the issues addressed in the memorandum (agenda paper 18.1) and the Pre-Ballot Draft Standards (agenda papers 18.3 and 18.5), the Board decided:

- (a) in relation to transitional requirements for:
 - (i) tabled Pre-Ballot Draft AASB 105X – specific transitional relief is not necessary given that comparative budgetary information is not required to be disclosed; and
 - (ii) Pre-Ballot Draft AASB 2012-XX – transitional arrangements are not necessary given that the requirements relating to budgetary reporting in AASB 1049 *Whole of Government and General Government Sector Financial Reporting* would simply be relocated to AASB 105X and would continue to apply without substantive amendments;
- (b) in relation to reduced disclosure requirements for Tier 2 entities, which are only relevant to tabled Pre-Ballot Draft AASB 105X, having regard to user needs and cost/benefit considerations, Tier 2 entities should be required to apply the same requirements as Tier 1 entities in relation to budgetary reporting. This is mainly because the budgetary disclosures would provide relevant information on an entity's planning and costing, facilitate a budget to actual comparison for accountability purposes, and would not cause unreasonable burden to the Tier 2 Entities; and
- (c) in relation to operative dates for the tabled Pre-Ballot Draft AASB 105X and Pre-Ballot Draft AASB 2012-XX – given that the requirements would only affect entities that present their budgets to parliament and disclosures in the financial statements (not recognition and measurement), the Board decided that an implementation period of about 2 years is sufficient and therefore the final Standards would be mandatory from 1 July 2014, with early adoption

allowed. The Board also noted that paragraph BC30 of the tabled Pre-Ballot Draft AASB 105X would need to be consistently worded to reflect this implementation period of about 2 years;

- (d) to adopt the revisions reflected in the marked-up text of the tabled Pre-Ballot Draft AASB 105X, except for the following:
- (i) to clarify the term 'separately identifiable' used in paragraphs 6, 7 and 13 – the Board decided to replace the term with 'separately identified as relating to the entity';
 - (ii) to clarify the requirements relating to disclosure of explanations of major variances in regard to variances from revised budgets presented to parliament. In particular, the Board considered that the two last sentences of paragraph 14 should be rewritten to better convey the need for an entity to have regard to any revised budgets presented to parliament and include explanations for major numerical differences between any revised budget and actual amounts in its explanations for major variances, particularly in a circumstance where there is no major numerical differences between original and actual amounts and omission of such explanations would result in a misleading analysis of the entity's performance for a period; and
 - (iii) to acknowledge in the Basis for Conclusions that the Standard has not envisaged all circumstances where budgetary reporting might be relevant that may not be captured by the requirements, particularly when certain kinds of administrative restructures might take place during a year, but that the principles in the Draft Standard could be applied in such circumstances.

The Board also considered the next step. The Board noted that some of the Budgetary Reporting Sub-Committee members expressed concern about issuing a Standard at this stage of the process, given that the Standard arises from proposals that were part of the more broadly-scoped proposals in ED 212 *Not-for-Profit Entities within the General Government Sector*. The Board decided to make Review Drafts of AASB 105X and AASB 2012-XX, reflecting its decisions at this meeting, available on the AASB's website for about 45 days, to provide constituents with an opportunity to identify any fatal flaws. Contingent on staff resources, the Board intends to consider any comments received at the February 2013 Meeting, with a view to finalising the Draft Standard then.

Action: Staff