



# Memorandum

<b>To:</b>	<b>AASB Members</b>	<b>Date:</b>	5 February 2013
<b>From:</b>	<b>Clark Anstis</b>	<b>Agenda Item:</b>	16.1 (M129)
<b>Subject:</b>	<b>Exposure Draft – Implementation Guidance for NFP Entities re AASB 10</b>	<b>File:</b>	

## Action

To consider sweep issues affecting the planned Exposure Draft of Australian implementation guidance for not-for-profit (NFP) entities in relation to AASB 10 *Consolidated Financial Statements*. If members have additional issues that they would like to address at the meeting, please advise staff in advance of the meeting.

## Attachments

16.2 Issues paper: Implementation Guidance for NFP Entities re AASB 10.

## Overview

The purpose of the Board's discussion at this meeting is to consider outstanding issues that affect the draft ED, rather than the ED as a whole. Accordingly, the focus of the discussion will be the issues noted in the attached issues paper and any further issues raised by Board members.

The draft ED will be circulated to Board members prior to the Board meeting for review. It is not part of the agenda papers for the meeting, but will enable members to consider whether there are other significant issues arising from the draft ED that ought to be discussed at the meeting. Subsequent to the meeting, a revised draft ED will be prepared for members' vote. A proposed timetable for finalising the ED was circulated to members in January 2012. It is included in this memo for members' information.

## Background

AASB 10 was issued in August 2011, for application by both for-profit and not-for-profit entities (whether in the private sector or the public sector) to reporting periods beginning on or after 1 January 2013. NFP entities were not permitted to apply the Standard early, pending the development of Aus paragraphs or other Australian material to assist them in applying AASB 10.

During 2012 the Board held discussions at various meetings to develop an ED to propose the addition of Australian NFP implementation guidance in a new appendix to AASB 10. The Board has previously decided that the proposed Appendix E should be presented as integral to the Standard, even though none of the guidance was considered to be an amendment of the requirements of the Standard.

Given the delay in finalising the ED, the Board deferred the application of AASB 10 by NFP entities until 1 January 2014. However, NFP entities may apply AASB 10 early to reporting periods beginning on or after 1 January 2013 but before 1 January 2014. These changes were made through AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments* (December 2012).

## IPSASB Project

The International Public Sector Accounting Standards Board (IPSASB) is undertaking a project to revise its Standards IPSAS 6 *Consolidated and Separate Financial Statements*, IPSAS 7 *Investments in Associates* and IPSAS 8 *Interests in Joint Ventures*. These Standards are largely consistent with the pre-2011 IFRS versions, however there are some differences, such as a temporary-control exemption from consolidation. The objective of the project is to develop IPSASs based on IFRS 10 *Consolidated Financial Statements* and its accompanying new and revised IFRSs (i.e. IFRS 11, IFRS 12, IAS 27 and IAS 28).

The IPSASB is developing exposure drafts of revised Standards (approval of the five EDs is planned for the June 2013 meeting). It is proposing to make its versions of the Standards much more specific to the public sector. For example, the IPSASB has decided to give more emphasis on types of situations that commonly occur in the public sector and less emphasis on issues associated with voting rights, and to delete the paragraphs on franchise arrangements. Basic terms in IFRS 10 that reflect the private sector focus of the IASB are proposed to be replaced with general terms, e.g. ‘entity’ for ‘investor’, ‘another entity’ etc for ‘investee’, ‘benefits’ for ‘returns’, and the definition of ‘power’ would refer to the familiar ‘financial and operating policies’ in addition to ‘relevant activities’ (activities of the investee that significantly affect the investee’s returns).

## Process for Modifying IFRSs for NFP Entities

Staff continue to review the draft IPSASB ED in respect of IFRS 10 for any matters that potentially should be included in the AASB’s ED as well. A number of matters arising from the draft IPSASB ED are considered in the accompanying issues paper.

However, the AASB’s additions to AASB 10 are developed in accordance with its policy document *Process for Modifying IFRSs for PBE/NFP* (prepared in 2009 in conjunction with the then Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants).<sup>1</sup> Paragraph 3 of that document states that the purpose of modifying IFRSs for NFP entities is to reflect differences between the NFP and for-profit sectors that warrant a different accounting treatment or guidance for NFP entities. Paragraph 6 notes that the mere fact that a Board might prefer a different requirement to that reached by the IASB is rarely a sound basis for modification.

Although the IPSASB has a similar policy document, *Process for Reviewing and Modifying IASB Documents* (October 2008), it also makes terminology and style changes as it sees fit. Thus it will propose the general terminology changes noted above, as well as restructuring the document (e.g. some of the application guidance in Appendix B would be moved into the body of the Standard). The AASB is unable to follow this approach as AASB 10 applies to both for-profit and NFP entities.

## **Timetable for Finalising the Exposure Draft**

The following timetable was circulated to Board members in January 2012.

---

<sup>1</sup> The document is available on the AASB website: [www.aasb.gov.au/AASB Board/Policies and processes/](http://www.aasb.gov.au/AASB%20Board/Policies%20and%20processes/).

# Memorandum

<b>Estimated Timing</b>	<b>Action</b>
6 February 2013	Board meeting agenda paper distributed re sweep issues (if any)
8 February	Pre-ballot draft ED distributed to Board members (one-week review) [Advise any major issues to staff prior to the February meeting]
20, 21 February	Discussion at Board meeting (if required)
8 March (latest)	Ballot draft ED distributed to Board members (for one-week voting period)
28 March (latest)	Publication of ED
30 June	Deadline for submissions (comment period of at least 3 months)

The timetable plans for publication of the ED by the end of March, depending on the issues that might be identified at the Board meeting or in the ballot draft to be distributed subsequently. The date of distribution of a ballot draft of the ED will depend on the issues raised at the meeting and the resolution agreed.

## **Question for the Board**

Q1 Does the Board support the proposed timetable for the finalisation of the ED?