Australian Government
Australian Accounting Standards Board

Minutes

Subject:	Minutes of the 129th meeting of the AASB
Venue:	Ken Spencer Room, AASB offices Level 7, 600 Bourke St, Melbourne
Time(s):	Wednesday 20 February 2013 from 9.00 a.m. to 5.15 p.m. Thursday 21 February 2013 from 8.30 a.m. to 12.45 p.m.

All agenda items except items 1 and 6 were discussed in public.

Attendance

Members	Kevin Stevenson (Chairman) Ian McPhee (Deputy Chair) John O'Grady (Deputy Chair) Peter Carlson Victor Clarke Anna Crawford Peter Gibson Jayne Godfrey (apology part day1) Liane Papaelias Carmen Ridley Brett Rix Robert Williams
Apologies	Michelle Embling Roger Sexton
In Attendance: Staff	Clark Anstis (in part) Glenn Brady (in part) Nikole Gyles (in part by phone) Ahmad Hamidi Ravari (in part) Robert Keys Sue Lightfoot (in part) Christina Ng (in part) Lisa Panetta (in part) Jim Paul (in part) Julie Smith Angus Thomson Daisy Yang (in part)

Agenda, Declaration of Interests and Chairman's Report

Agenda Item 1

Declarations of Interest

Members indicated that, in the normal course of their day-to-day professional responsibilities, they deal with a broad range of financial reporting issues. Members have adopted the standing policy in respect of declarations of interest that a specific declaration will be made where there is a particular interest in an issue before the Board. No declarations were made.

Chairman's Report

Accounting Standards Advisory Forum (ASAF)

The Chairman noted the progress the International Financial Reporting Standards (IFRS) Foundation is making in establishing the ASAF (see also agenda item 17).

Financial Reporting Council (FRC)

The Chairman noted the Public Sector Taskforce of the FRC is considering the AASB report on GAAP/GFS harmonisation prior to the report being considered by the FRC.

Treasury

The Chairman noted that AASB staff:

(a) will attend a roundtable on the use of standard business reporting for lodgement of financial reports; and

(b) responded to two Freedom of Information requests concerning the Special Purpose Financial Reporting Research project.

New Zealand

The Chairman noted that New Zealand Accounting Standards Board (NZASB) has issued for comment a package of Exposure Drafts designed to operationalise the new Accounting Standards Framework as it applies to Tier 3 and Tier 4 *Public Sector Public Benefit Entities*.

Other

The Chairman also noted:

(a) the AASB staff paper on Carbon Tax – Government Perspective has been posted on the AASB website;

(b) IASB member Steve Cooper will be visiting the AASB on 7 March 2013 and that AASB members and staff are invited to attend a meeting with Steve on that day;

(c) the IFRS Foundation is seeking candidates to fill Trustees vacancies that will become available in July 2013 and January 2014. It is seeking Trustees from Asia-Oceania, South America and an “At Large” position; and

(d) staff presentations and recent and forthcoming staff movements and achievements. In particular, he farewelled Graduate Intern Daisy Yang and welcomed Glenn Brady Senior Project Manager who returned to the AASB after a secondment at the IASB.

Apologies, Minutes and Approvals Out of Session

Agenda Item 2

Apologies

Apologies were noted for both days of the meeting for Michelle Embling, Roger Sexton and Jayne Godfrey for part of Day1.

Minutes

The Board approved the minutes of the one hundred and twenty-ninth meeting held on 12-13 December 2012. There were no matters arising not otherwise addressed as part of the agenda.

Approvals Out of Session

Since the last Board meeting (12 – 13 December 2012), the Board approved out of session the following Standards and Exposure Draft:

(a) AASB 2012-8 Amendments to AASB 1049 – *Extension of Transitional Relief for the Adoption of Amendments to the ABS GFS Manual relating to Defence Weapons Platforms*;

(b) AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal Australian Interpretation 1039;

(c) AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*;

(d) AASB 2012-11 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments*; and

(e) ED 233 *Australian Additional Disclosures – Investment Entities*.

In addition, five Exposure Drafts were issued under the Board's delegated authority for the Chairman to issue consultation documents where there is no significant additional Australian material. They are:

(a) ED 230 *Classification and Measurement: Limited Amendments to AASB 9*, which incorporates IASB ED/2012/4;

(b) ED 231 *Clarification of Acceptable Methods of Depreciation and Amortisation*, which incorporates IASB ED/2012/5;

(c) ED 232 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, which incorporates IASB ED/2012/6;

(d) ED 234 *Acquisition of an Interest in a Joint Operation*, which incorporates IASB ED/2012/7; and

(e) ED 235 *Recoverable Amount Disclosures for Non-Financial Assets*, which incorporates IASB ED/2013/1.

There were no other approvals out of session.

Other Business

Agenda Item 3

The Board noted:

(a) a memorandum from Julie Smith and Robert Keys dated 5 February 2013 re: AASB Work Program (agenda paper 3.1);

(b) summary of AASB Work Program (January 2013) (agenda paper 3.1.1);

(c) detailed AASB Work Program (January 2013) (agenda paper 3.1.2);

(f) Submissions Pipeline Report (5 February 2013) [Board only] (agenda paper 3.1.3);

(g) AASB Sub-committee membership listing as at 5 February 2013 [Board only] (agenda paper 3.2) showing tentative allocations to new Board members;

(h) letter from the AASB Chairman to Hans Hoogervorst, IASB Chairman dated 21 December 2012 re IASB Review Draft on *General Hedge Accounting* (agenda paper 3.3);

(i) Communications Report 12 December 2012 – 20 February 2013 [Board only] (tabled agenda paper 3.4);

(j) letter from the AASB Chairman to Manager, Philanthropy and Exemptions Unit, The Treasury, dated 5 February 2013 re Exposure Draft: *Requirements for annual financial reports under the ACNC framework, accompanying ACNC Regulation 2012* (agenda paper 3.5):

(k) IASB Update – 30 January 2013 (agenda paper 3.6);

(l) letter from the AASB Chairman to Robyn Donnelly, NSW Office of Fair Trading (and response) dated 23 & 24 February 2013 re Draft Co-operatives National Regulations (agenda papers 3.7); and

(m) IFRS Press Release 7 February 2013 (tabled agenda paper 3.8).

IFRS Interpretations Committee

Agenda Item 4

The Board had before it:

(a) a memorandum from Julie Smith and Robert Keys dated 5 February 2013 re IFRS Interpretations Committee update (agenda paper 4.1);

(b) an AASB Staff Summary of IFRS Interpretations Committee Decisions – January 2013 (agenda paper 4.2); and

(c) *IFRIC Update* January 2013 (agenda paper 4.3).

The Board received an update on the decisions (both tentative and final) made by the IFRS Interpretations Committee at its January 2013 meeting, and discussions held by the Committee at that meeting.

The Board decided there were no issues that ought to be raised with the Committee at this stage.

Emerging Issues

Agenda Item 5

High quality corporate bonds and set-off disclosures

The Chairman noted:

(a) ongoing discussions being conducted in Australia and internationally in relation to AASB 119 *Employee Benefits* (and IAS 19) about the meaning of 'high-quality corporate bonds', and the selection of a government bond rate when there is not an active market for high-quality corporate bonds; and

(b) the differences that have arisen between the set-off disclosures required under US GAAP and IFRSs as a result of FASB reducing its requirements, given the differences between the respective set-off requirements. Some constituents have expressed a view that IASB should also reduce its disclosure requirements.

The Board decided there were no issues that ought to be raised with the IASB at this stage.

Standard Business Reporting for Financial Reports

The Board had before it:

(a) a memorandum from Lisa Panetta and Angus Thomson dated 7 February 2013 in the form of an Issues Paper on responding to the Options Paper: *Use of Standard Business Reporting (SBR) for Financial Reports* (agenda paper 5.1);

(b) Draft AASB submission to the Treasury regarding the Options Paper (agenda paper 5.2); and

(c) Options Paper: *Use of Standard Business Reporting (SBR) for Financial Reports* (agenda paper 5.3).

The Board noted that the Treasury Options Paper is open for comment by 15 March 2013 and staff are scheduled to attend a roundtable discussion on the Paper in early March.

The Board decided the staff should comment on the Options Paper from a standard-setting perspective in respect of the likely costs and benefits of financial reports being lodged using XBRL (providing information that is machine readable only) or iXBRL (which also allows a human-viewable format).

In discussing the use of XBRL or iXBRL, some members noted that the manner in which information is presented in accordance with accounting standards is often important in conveying relevant information to users because it provides a context for the information.

Action: Staff

IASB decisions on leases

The Board had before it a memorandum from Nikole Gyles dated 19 February 2013 in the form of a summary of recent IASB decisions on leases (tabled agenda paper 5.4) and noted subsequent decisions.

The Board decided there were no issues that ought to be raised with the IASB at this stage.

IASB disclosure forum

The Board noted that the IASB hosted (28 January) a public discussion forum on disclosures in financial reporting to foster dialogue between preparers, auditors, regulators, users of financial statements and standard-setters.

At the forum the IASB released the results of a survey on disclosure for which they received 225 responses from respondents across Africa, Asia, Europe and North America.

Feedback suggested that:

(a) improvements could be made to the way financial information is disclosed across all parts of the annual report, and not just the financial statements;

(b) disclosure requirements in the financial report are too extensive and need to exclude immaterial information;

(c) preparers could do more to improve the communication of relevant information within the financial statements rather than providing “boiler plate” disclosure; and

(d) financial reporting has become an exercise in compliance rather than a means of communication.

No other emerging issues were identified by Board members.

Review

Agenda Item 6

The Board noted agenda paper 6.1 AASB Strategic Plan 2012 to 2016 – Cumulative Progress Report, as at February 2013.

Superannuation Entities

Agenda Item 7

The Board had before it:

(a) a memorandum from Angus Thomson and Daisy Yang dated 5 February 2013 (agenda paper 7.1);

(b) staff paper: the main differences between AAS 25 *Financial Reporting by Superannuation Plans* and the Board’s decisions to date (agenda paper 7.2); and

(c) slides on staff targeted consultations with constituents about recent Board decisions on measuring accrued defined benefit liabilities, disclosures about defined benefit liabilities and issues relating to superannuation arrangements in the public sector (tabled agenda paper 7.3).

Staff provided a brief overview of the main decisions made by the Board on the project to date and how they differ from the requirements of AAS 25.

Staff noted they have been consulting since the mailout of Board papers with a number of key constituents who would be responsible for implementing the accrued defined benefit liability measurement requirements in the replacement standard for AAS 25, and those involved in public sector superannuation arrangements. In particular, staff noted that they obtained valuable feedback from those constituents on the manner in which the Board's October-November 2012 meeting tentative decisions might be implemented.

Measuring accrued defined benefit liabilities

The Board noted the principle on which it had tentatively decided for measuring defined accrued benefit liabilities and that the feedback from constituents, through the recent staff consultation, had highlighted issues around the cost and timeliness of implementing such a principle. In that context, the Board discussed the principle in the following terms:

(a) it would require expected cash flows to be discounted by a rate that reflects the earnings that could be achieved on a portfolio of investments that would provide cash flows to meet defined benefits when they are due and, accordingly, the relevant portfolio would be one that is expected to fully fund the accrued defined benefit liabilities;

(b) the relevant portfolio of investments might not be the same as the existing portfolio of investments, for example, because the existing investments are currently in different asset classes, or the accrued defined benefit liability is under-funded/unfunded; and

(c) to the extent the relevant portfolio of investments is not the same as the existing portfolio of investments, it would need to be based on investment opportunities that are realistically available to the entity.

The Board acknowledged that, in applying the principle, there would often be approaches to measuring defined accrued benefit liabilities that could be employed that do not involve undertaking a comprehensive actuarial assessment. For example, the Board noted that vested benefit calculations, including an assessment of the relationship between vested benefits and accrued benefits and the stability of that relationship, are the basis for some of the approaches that might be used in practice to measure accrued defined benefit liabilities for annual financial reporting purposes.

However, the Board noted that it would be inappropriate to identify particular approaches as being those that would apply in any particular cases, but that it might be helpful to make broad mention in the replacement standard for AAS 25 (or its Basis for Conclusions) about some of the approaches discussed in the process of making the standard that could achieve an appropriate outcome in relevant circumstances.

Disclosures about defined benefit liabilities

The Board noted the recent feedback from constituents that disclosure principles on defined benefit liabilities to be applied under the replacement standard for AAS 25 would need to be relevant and applicable for superannuation entities that have one fund with one employer-sponsor as well as superannuation entities that have multiple funds and multiple employer-sponsors.

The Board also noted the recent feedback from constituents, had highlighted issues around the cost and timeliness of making sensitivity disclosures about the key assumptions used in measuring defined accrued benefit liabilities.

The Board acknowledged the need for the disclosure requirements to be principle-based to enable their application to varying circumstances and on a timely basis.

The Board discussed that, to the extent the relevant portfolio of investments used to determine the discount rate for measuring accrued defined benefit liabilities is not the same as the existing portfolio of investments, it might be useful to require disclosure about the difference, including an explanation of the circumstances giving rise to the difference. In relation to materially underfunded or unfunded accrued defined benefit liabilities, that explanation would be expected to include disclosure about the funding status and the plan for meeting the funding requirements.

Employer-sponsor guarantees in the public sector

The Board noted the recent feedback from constituents, about the nature of the various arrangements applying to public sector defined benefit plans. In particular, the Board noted that:

(a) some public sector plans hold assets in relation to member benefits that they forward to government when relevant members leave the plan, and the government is responsible for paying member lump sums and/or pensions in contrast to;

(b) some public sector plans receive assets from government for any shortfall between their investment assets and the relevant member liability when relevant members retire or leave the plan, and the plans are responsible for paying member lump sums and/or pensions.

The Board noted that some of these plans might be regarded as only having a liability in respect of the assets they will be required to forward to government and some might be regarded as having an accrued defined benefit liability and an asset that represents the right to receive funding for any shortfall between their investment assets and the accrued defined benefit liability.

Other issues

The Board noted the recent feedback from constituents, about other issues in relation to matters such as insurance arrangements, consolidation and the progress of ED 233 *Australian Additional Disclosures – Investment Entities*, presentation of a statement of changes in equity and dealing with plans currently reporting under paragraph 66 of AAS 25.

In relation to consolidation, the Board noted that it would expect AASB 10 *Consolidated Financial Statements*, together with any amendments flowing from the proposals in ED 233, would apply to superannuation entity financial reporting.

Next steps

The Board noted that staff plan to bring sweep issues to the April 2013 meeting for deliberation and, subject to the nature and significance of the issues raised at that meeting, to subsequently prepare a pre-ballot draft of a replacement standard for AAS 25 *Financial Reporting by Superannuation Plans* for the Board's consideration.

Action: Staff

Financial Instruments

Agenda Item 8

The Board had before it:

(a) a memorandum from Sue Lightfoot and Christina Ng dated 5 February 2013 re: Financial Instruments Project Update (agenda paper 8.1);

(b) IASB daily staff update dated 30 January 2013 (agenda paper 8.2);

(c) comments received from Australian constituents in respect of the IASB Review Draft on General Hedge Accounting (agenda paper 8.3);

(d) comment letter analysis and staff issues paper on AASB ED 230 *Classification and Measurement: Limited Amendments to AASB 9 [proposed amendments to AASB 9 (2010)]* (tabled agenda paper 8.4); and

(e) collation of submissions received on ED 230 (tabled agenda paper 8.5).

The Board received an update on the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* with IFRS 9 *Financial Instruments* relating to classification and measurement, impairment and hedge accounting.

Classification and measurement

The Board considered key issues to raise in its submission on IASB ED/2012/4 *Classification and Measurement: Limited Amendments to IFRS 9* (incorporated into the corresponding AASB ED 230, which was open for comment to the AASB by 13 February 2013). The Board considered the comments received on ED 230 and tentatively decided to broadly support the proposals in ED/2012/4, in particular:

(a) to broaden the notion of what is 'solely principal and interest' for the contractual cash flow characteristics assessment. The Board also decided to express a view that the IASB should apply a 'principles approach' to the notion of 'interest';

(b) to introduce a mandatory 'fair value through other comprehensive income' measurement category, subject to the election being available to designate such assets at fair value through profit or loss, in particular to address 'accounting mismatches'. The Board also noted the relevance of this issue to insurers and the feedback it had received that Australian insurers think there should be the ability to measure both financial assets backing insurance liabilities and insurance liabilities at fair value through profit or loss; and

(c) to permit the own-credit provisions for financial liabilities to be adopted early without adopting earlier phases of the standard.

However, some Board members expressed concern about the increase in complexity that would be introduced by the proposals in the ED and the difficulty of assessing the likely impact of the proposals prior to finalisation of the other phases of IFRS 9 (namely impairment and hedge accounting).

The Board decided to finalise the submission to the IASB on IASB ED/2012/4 out-of-session through the impairment sub-committee.

Impairment

The Board noted the key aspects of the IASB's tentative financial asset impairment model and the relevant differences from the FASB's proposed model (which the FASB published as proposed Accounting Standards Update *Financial Instruments-Credit Losses* in December 2012). The Board noted the different conceptual and operational aspects of each of the proposed impairment models, in particular noting that the IASB's two-step approach for the recognition and measurement of expected losses is more complex than the FASB's proposed model, which has a single recognition and measurement approach. Some Board members indicated that they would personally prefer that the IASB reconsidered the notion of 'incurred but not reported loss'.

The Board noted the IASB is targeting issuance of a revised ED on its impairment model on 7 March 2013.

The Board decided there were no issues that ought to be raised with the IASB at this stage.

Hedge accounting

The Board noted:

(a) the IASB had tentatively decided to expand the 'cost of hedging' approach to include foreign currency basis risk, and that the Chairman and some Australian constituents had written to the IASB late last year highlighting the significance of this issue in Australia;

(b) the IASB's tentative decision to permit an entity, on transition to IFRS 9, to elect to measure 'all similar' 'own use contracts' at fair value through profit or loss;

(c) the IASB Board members had asked IASB staff to analyse the scope of the hedge accounting requirements for macro-hedge accounting between current IAS 39 requirements and the proposed IFRS 9 requirements. The IASB expects to discuss this at a future meeting; and

(d) the IFRS 9 chapter on general hedge accounting is now expected to be issued in the second quarter of 2013.

The Board decided there were no issues that ought to be raised with the IASB at this stage.

Action: Staff
Impairment sub-committee

Possible policy implications of the results of research into accounting by lodging entities

Agenda Item 9

The Board had before it:

(a) a memorandum from Ahmad Hamidi dated 5 February 2013 (agenda paper 9.1); and

(b) staff paper: Possible policy implications of the results of research into accounting by certain types of lodging entities (agenda paper 9.2).

The Board held preliminary discussions on the possible policy implications of the results emerging from the research into special purpose financial reporting. The research is raising questions about the application of the reporting entity concept by entities in determining whether they should prepare general purpose financial statements (GPFSs); the extent to which different types of entities are lodging GPFSs compared with special purpose financial statements (SPFSs); and the quality of those respective financial statements in relation to the application of the recognition and measurement requirements of Australian Accounting Standards.

The Board noted that the research findings cast doubt on how well the reporting entity concept is being applied and observed that the findings to date lend support to the proposals in ED 192 *Revised Differential Reporting Framework* that the focus of the application of Australian Accounting Standards should change to GPFSs and the meaning of GPFSs in the Australian context should be clarified. Noting the research work is still to be finalised, the Board discussed the manner in which it might continue to use the reporting entity concept as the basis for its own deliberations in setting GPFS requirements; and the potential for that concept to be used as a benchmark by other regulators in identifying whether entities should be required to prepare and lodge GPFSs.

The Board decided that staff should liaise with other regulators, including the Treasury and the Australian Securities and Investments Commission, with a view to coordinating the Board's and other regulators' efforts in dealing with the issues emerging in the research report and potentially transitioning to a more co-ordinated regime.

The Board will continue its deliberations on the policy implications of the research, including considering the outcome of staff liaison with other regulators, at a future meeting.

Action: Staff

Revenue from Contracts with Customers

Agenda Item 10

The Board had before it:

(a) a memorandum from Glenn Brady dated 5 February 2013 re Revenue from Contracts with Customers – update (agenda paper 10.1); and

(b) IFRS Staff paper: December 2012 Effects of joint IASB and FASB redeliberations on the November 2011 Exposure Draft *Revenue from Contracts with Customers* (agenda paper 10.2).

The Board received an update on the progress made by the IASB and the FASB on their joint project on revenue recognition. The Board noted that the IASB and the FASB are expected to complete their redeliberations on their proposals included in IASB ED/2011/6 *Revenue from Contracts with Customers* at their joint 20 February 2013 meeting. The topics for that meeting include disclosure, transition and the effective date and early adoption of the revenue standard. The Board will continue to monitor the project as the IASB and the FASB finalise the drafting of the revenue standard.

Service concession arrangements: Grantor

Agenda Item 11

The Board had before it a memorandum from Christina Ng dated 5 February 2013 re: Service Concession Arrangements: Grantor's Perspective (agenda paper 11.1).

The Board received a progress report on its project considering the modifications that might be made to IPSAS 32 *Service Concession Arrangements: Grantor* to make it suitable for adoption in Australia. In particular, the Board noted the progress made by staff in addressing the question of whether a grantor should initially recognise a liability or income when it receives a service concession asset from an operator in exchange for a right (that is, a licence) to charge users of the asset. In addition, the Board:

(a) noted staff had conducted preliminary targeted outreach to ascertain views from Australian constituents on grantor accounting for service concession arrangements in light of the IASB's and the FASB's November 2012 tentative decisions in relation to licences (as part of their joint project on revenue recognition); and

(b) noted that the IASB's and FASB's targeted outreach on the operability of their revenue recognition model in relation to licences is underway and directed staff to conduct further targeted outreach with Australian constituents based on the near-final wording of the application guidance on licences to be included in the forthcoming IFRS on revenue.

The Board plans to consider, at a future meeting, a further issues paper on this issue, having regard to the IASB's near-final wording of the application guidance on licences and the feedback received on the targeted outreach. The paper will also address measurement issues.

Action: Staff

Budgetary reporting

Agenda Item 12

The Board had before it:

(a) a memorandum from Lisa Panetta and Robert Keys dated 5 February 2013 (agenda paper 12.1);

(b) AASB staff analysis of comments received on the fatal flaw review draft of AASB 105X *Budgetary Reporting* (agenda paper 12.2);

(c) Fatal Flaw Review Draft AASB 105X *Budgetary Reporting*, marked-up to reflect staff suggestions for addressing comments received (agenda paper 12.3);

(d) Extract from Approved AASB Minutes July 2012 (agenda paper 12.4);

(e) Extract from Draft AASB Minutes December 2012 (agenda paper 12.5);

(f) Submission 1: Australian Council of Auditors-General dated 29 January 2013 (agenda paper 12.6); and

(g) Submission 2: CPA Australia and Institute of Chartered Accountant Australia (agenda paper 12.7).

The Board considered constituents' comments received on the fatal flaw draft Standard AASB 105X *Budgetary Reporting*, which had been posted on the AASB website for a review period that ended on 31 January 2013. (No comments were received on the accompanying fatal flaw draft Standard AASB 2012-XX *Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements*.) The Board agreed with the staff suggestions for amending the draft Standard to address constituent comments reflected in agenda paper 12.3, except it decided that paragraph BC16 of the Basis for Conclusions (which addresses the application of the principles in the draft Standard to a newly created entity that is spun off from a pre-existing entity whose budget was presented to parliament) should be amended, to place greater emphasis on the original budget that was presented to parliament.

Board members were asked to provide any editorial amendments to staff out of session.

The Board decided to proceed with processing the above decisions and any editorial changes and to vote on ballot drafts of the two Standards out of session shortly.

Action:	Staff Board members

Clarification of Acceptable Methods of Depreciation and Amortisation

Agenda Item 13

The Board had before it:

(a) a memorandum from Jim Paul dated 5 February 2013 in relation to IASB ED/2012/5 *Clarification of Acceptable Methods of Depreciation and Amortisation* (agenda paper 13.1);

(b) a staff issues paper entitled *Forming Preliminary Views on IASB ED/2012/5* (agenda paper 13.2);

(c) a copy of AASB ED 231, which incorporates IASB ED/2012/5 (agenda paper 13.3); and

(d) a copy of comment letters received to date on ED 231 (agenda paper 13.4).

The Board considered key issues to raise in its submission on IASB ED/2012/5, which proposes to amend IAS 16 *Property*, *Plant and Equipment* and IAS 38 *Intangible Assets* to prohibit any revenue-based depreciation or amortisation method. The corresponding AASB ED 231 was issued for comment by 1 March 2013. The Board considered the comments received to date on ED 231 and tentatively decided to:

(a) support the IASB's proposal, based on the Board's view that an asset's future economic benefits represent its ability to generate future cash inflows (generally, revenue), which is consumed over time with the aim of generating revenue, but does not necessarily consume the asset in proportion to revenue for example because revenue reflects prices whereas price is not a relevant factor in consumption of an asset;

(b) recommend the IASB clarifies its reasons for its proposal in its Basis for Conclusions. This is because paragraph BC2 seems to emphasise a 'unit of account' issue (namely, the distinction between generating revenue by operating a business and depreciation/amortisation arising from the consumption of future economic benefits embodied in individual assets), whilst the Board considers that its reason for supporting the IASB's proposal (in (a) immediately above) is more pertinent. The Board noted that its reason would probably lead to a different conclusion than that in paragraphs BC4 – BC5 regarding the pattern of amortisation of acquired rights to broadcast a film. Paragraph BC5 says "… the number of viewers attracted could be used as a reasonable basis for the pattern in which the benefits for those rights are expected to be consumed". The Board tentatively disagreed that the pattern of consumption of future economic benefits embodied in the right might be based on the number of viewers; and

(c) support the proposed transitional provisions.

In making these decisions, the Board tentatively considered that there are no issues warranting different treatment by not-for-profit entities.

The Board's tentative decisions are subject to change in light of comments received in any future comment letters on ED 231.

The Board requested the staff to circulate to Board members out of session a draft submission reflecting the Board's tentative decisions.

Action:	Staff Board members

Narrow scope amendments to IAS 28

Agenda Item 14

The Board had before it:

(a) a memorandum from Christina Ng dated 5 February 2013 re: Narrow scope amendments to IAS 28 *Investments in Associates* (agenda paper 14.1);

(b) AASB ED 228 *Equity Method: Share of Other Net Asset Changes* (which incorporated IASB ED/2012/3) (agenda paper 14.2);

(c) submission 1 from Hayes Knight in relation to ED 228 dated 9 January 2013 (agenda paper 14.3); and

(d) submission 2 from CPA Australia and the Institute of Chartered Accountants in Australia in relation to ED 228 dated 7 February 2013 (tabled agenda paper 14.3).

The Board considered key issues to raise in its submission on IASB ED/2012/3, which proposes amending IAS 28 to require an investor to recognise, in the investor's equity, its share of the changes in the net assets of the investee that are 'other net asset changes'. The Board had regard to comments received on the corresponding ED 228.

Consistent with comments received on ED 228, the Board decided its submission to the IASB should express disagreement with the proposals as the transactions giving rise to an investee's 'other net asset changes' are not in the nature of an investor's transactions in its own equity. In particular, the Board considered:

(a) in the case of when an investee issues additional shares to third parties, the investor's interest in an investee would be diluted, and accordingly, any gain or loss on the dilution should be recognised in the same way as if the dilution were a result of a direct disposal of an interest in the investee; and

(b) there is an insufficient rationale for the proposals provided in the ED. The Board noted that if the investor were to recognise the amount referred to above in its own equity, it would appear to represent transactions between the investor and its non-controlling interest, which the Board does not consider to be appropriate.

The Board also disagreed with the proposal to reclassify to profit or loss any cumulative amount of equity that the investor had previously recognised when the investor discontinues the use of the equity method. The Board considered that proposal would be inconsistent with the restriction in IFRS 3 *Business Combinations* to reclassify/recycle amounts of equity that are not attributable to the investor (parent) to profit or loss. Even if the IASB disagrees with the AASB's view expressed in (a) immediately above and therefore decides that the investor should not recognise in profit or loss its share of the investee's other net asset changes, the Board would prefer those amounts to be recognised in the investor's other comprehensive income, (rather than equity) and subsequently reclassified to profit or loss on discontinuation of the equity method. The Board considered that this would at least be more consistent with the principles in IFRS 3 *Business Combinations* and the IASB's proposal to reclassify cumulative amounts of the other net asset changes to profit or loss on discontinuation of the equity method.

In addition, the submission should suggest the IASB, in due course, reviews the equity method of accounting in light of the diversity of views as to whether it is a form of consolidation or a form of valuation.

A draft of the submission should be circulated to all Board members for comment out of session before it is finalised.

Action: Staff
Board members

IPSASB CP – IPSASs and Government Finance Statistics Reporting Guidelines

Agenda Item 15

The Board had before it:

(a) a memorandum from Clark Anstis dated 5 February 2013 (agenda paper 15.1);

(b) Issues Paper: IPSASs and GFS Reporting Guidelines (agenda paper 15.2); and

(c) IPSASB Consultation Paper *IPSASs and Government Finance Statistics Reporting Guidelines* (October 2012) (agenda paper 15.3).

The Board considered key issues in respect of the IPSASB Consultation Paper (CP) and decided to make a submission to the IPSASB that includes the following points:

(a) the issues categorised as resolved (in terms of no significant differences between IPSASs and GFS requirements) reflect varying degrees of resolution, but should be based on the alignment of principles rather than practical application alone;

(b) the IPSASB should consider the development of an XBRL taxonomy in relation to IPSASs in conjunction with guidance on the development of integrated charts of accounts, but should leave the "wider coverage" matters identified in the CP to jurisdictions and their advisers;

(c) the IPSASB should take a more systematic – and conceptual – approach to reducing differences between IPSASs and GFS, without emphasising GFS convergence at the expense of IFRS convergence;

(d) specifying additional fair value disclosures in financial statements for the purpose of addressing a difference in measurement bases might not be an appropriate approach since financial statement disclosures may require more costly measurements to meet qualitative characteristics than estimates incorporated into GFS measures; and

(e) the IPSASB should consider making IPSAS 22 *Disclosure of Financial Information about the General Government Sector* a mandatory Standard, rather than an optional one, and should establish a project to consider amendments to IPSAS 22 that could be made in due course to require governments to adopt accounting policy options in IPSASs that are more closely aligned with GFS requirements (as presently required by AASB 1049 *Whole of Government and General Government Sector Financial Reporting* in respect of options in Australian Accounting Standards).

The Board decided that the submission should be finalised through a sub-committee of members, comprising the Chairman, Peter Carlson, Peter Gibson and Ian McPhee.

Action:	Staff Sub-committee

Implementation Guidance for Not-for-Profit Entities re AASB 10

Agenda Item 16

The Board had before it:

(a) a memorandum from Clark Anstis dated 5 February 2013 (agenda paper 16.1); and

(b) Issues Paper: Implementation Guidance for NFP Entities re AASB 10 (agenda paper 16.2).

The Board considered sweep issues in respect of the draft ED of Australian implementation guidance for NFP entities in relation to AASB 10 *Consolidated Financial Statements* that had been circulated to Board members prior to the meeting (but was not an agenda paper), and made the following principal decisions:

(a) further illustration of economic dependence and an investor's commitment to ensure an investee continues in operation is not required, as paragraph B54 of AASB 10 is sufficient;

(b) limited additional explanation of non-financial returns (benefits) should be added to the ED;

(c) the guidance should not vary the range of entities required to be consolidated in accordance with AASB 10 for NFP entities. (The Board made this decision after noting the potential departures from IFRS 10 *Consolidated Financial Statements* being considered by the IPSASB, such as an exemption for temporary control, in the IPSASB's project to adopt IFRS 10.);

(d) the example in the draft ED (paragraph IG5) of an investor having power over an investee that it has established should be revised to clarify the effect of involvement in the design of an entity;

(e) implementation guidance in respect of the definition of 'structured entities' in AASB 12 *Disclosure of Interests in Other Entities* should be developed for inclusion in the ED, since the present reference in the definition to "voting or similar rights" does not readily translate to the NFP sector; and

(f) in proposing consequential amendments to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, the disclosure requirements in AASB 12 should not apply to the GGS financial statements, with explanation for that view in the Basis for Conclusions.

The Board decided that draft guidance in respect of the definition of 'structured entities' in AASB 12 should be developed by staff in conjunction with the Board's project sub-committee, which comprises the Chairman, Anna Crawford, Ian McPhee, John O'Grady and Robert Williams.

The Board approved the circulation of a revised ballot-draft ED reflecting the above decisions, for out-of-session voting. The Board noted the objective of issuing the ED in March 2013 and decided the ED should be issued for a three-month comment period.

Action: Staff
Sub-committee
Members

International Developments

Agenda Item 17

The Board had before it a memorandum from Julie Smith dated 5 February 2013 (agenda paper 17.1).

The Chairman gave an update on the Accounting Standards Advisory Forum, noting that:

(a) on 1 February 2013 the International Financial Reporting Standards (IFRS) Foundation called for nominations of suitable candidates for membership of the ASAF;

(b) organisations may nominate themselves and/or other eligible organisations;

(c) the ASAF will be chaired by the IASB and have 12 other members with three, or possibly four, of those members being from the Asia-Oceania region;

(d) the AASB will nominate for a position and the Asian-Oceanian Standard-Setters Group (AOSSG) will also be nominated;

(e) nominations of organisations (and their delegate) close on 28 February, with the first meeting tentatively scheduled for early April 2013; and

(f) the tentative agenda includes matters relating to the IASB Conceptual Framework.

The Board noted the importance of ASAF in terms of global standard setting and the resource implications for potential members who would need to provide timely and relevant input in order to retain their position on ASAF.

Recoverable Amount Disclosures for Non-Financial Assets

Agenda Item 18

The Board had before it:

(a) a memorandum from Daisy Yang dated 5 February 2013 in relation to IASB ED/2013/1 *Recoverable Amount Disclosures for Non-Financial Assets* (agenda paper 18.1);

(b) a staff issues paper entitled *Forming Preliminary Views on IASB ED/2013/1* (agenda paper 18.2);

(c) a copy of AASB ED 235, which incorporates IASB ED/2013/1 (agenda paper 18.3); and

(d) a copy of a comment letter from Grant Thornton on ED 235 (tabled agenda paper 18.4).

The Board considered key issues to raise in its submission on IASB ED/2013/1, which proposes amending the disclosure requirements of IAS 36 *Impairment of Assets*, principally in relation to assets for which an impairment loss has been recognised or reversed during the period. The corresponding AASB ED 235 was issued for comment by 28 February 2013.

The Board considered the comments received to date on ED 235, and tentatively decided to:

(a) support the proposed removal of the requirement in paragraph 134(c) of IAS 36 to disclose recoverable amount, and the corresponding proposed addition of a requirement in paragraph 130(e) of IAS 36 to disclose the recoverable amount of impaired assets in respect of each impairment loss recognised or reversed during the period;

(b) support the proposed amendments to paragraph 130(f) of IAS 36 to require more detailed disclosures about the measurement of fair value less costs of disposal when an entity has recognised or reversed an impairment loss during the period;

(c) recommend that disclosure of valuation techniques proposed under paragraph 130(f)(i) should only be required for fair value measurements categorised within Levels 2 and 3 of the fair value hierarchy in IFRS 13 *Fair Value Measurement*. This is because, consistent with paragraph 93(d) of IFRS 13, fair value measurements categorised within Level 1 of the fair value hierarchy (using a quoted price in an active market for identical assets) would not require the use of valuation techniques;

(d) encourage the IASB to consider requiring disclosure of each key assumption on which management has based its determination of value in use, in relation to paragraph 130(g) of IAS 36. This would achieve consistency between the disclosures about fair value less costs of disposal and value in use. That is, whilst proposed paragraph 130(f)(iii) would require each key assumption to be disclosed in respect of fair value less costs of disposal, paragraph 130(g) of IAS 36 presently requires disclosure of no key assumptions, other than discount rates, in respect of value in use; and

(e) support the proposed transition provisions.

In making these tentative decisions, the Board tentatively considered that there are no issues warranting different disclosures by not-for-profit entities, and being focused on disclosures that there are no apparent GAAP/GFS harmonisation implications of the IASB's proposals.

The Board's tentative decisions are subject to change in light of comments received in any future comment letters on ED 235. The Board will consider out of session those comment letters (if any) and decided that the Chairman should review and approve the Board's submission.

Action: Staff
Chairman

Close of Meeting

The Chairman closed the meeting at approximately 12.30 pm. on Thursday 21 February 2013.

Approval

Signed by the Deputy Chairman as a correct record
this tenth day of April 2013