



# Memorandum

<b>To:</b>	<b>AASB Members</b>	<b>Date:</b>	20 August 2013
<b>From:</b>	<b>Clark Anstis, Lisa Panetta and Joanna Spencer</b>	<b>Agenda Item:</b>	13.1 (M133)
<b>Subject:</b>	<b>Australian Implementation Guidance for NFP Entities re Control and Structured Entities</b>	<b>File:</b>	

## Action

To consider the submissions received in response to Exposure Draft ED 238 *Consolidated Financial Statements – Australian Implementation Guidance for Not-for-Profit Entities* and the staff collation of the submissions with a view to providing staff with directions for progressing the implementation guidance.

## Attachments

- 13.2 Staff collation of the responses to ED 238;
- 13.3 Non-confidential Submissions received on ED 238; and
- 13.4 AASB Exposure Draft ED 238 (March 2013).

## Overview

The purpose of the Board's discussion at this meeting is to consider the submissions received on the ED and the issues raised by respondents in order to determine the changes that should be made to the draft Australian implementation guidance.

The staff collation of the responses to ED 238 extracts the comments from respondents regarding the Specific Matters for Comment (SMCs) in the ED, the proposed examples, and additional comments. The collation includes staff analysis of the comments and recommendations for either changing or retaining the approach in the draft implementation guidance.

## Background

AASB 10 *Consolidated Financial Statements* 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. 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.

The ED was issued at the end of March 2013 with a comment deadline of 30 June 2013. It proposed Australian implementation guidance for both AASB 10 and AASB 12 *Disclosure of Interests in Other Entities*.

The submissions numbered 1 to 11 were provided to Board members for the July 2013 Board meeting. As the staff collation was not finalised in time for that meeting, the submissions were not discussed at that meeting. Since then, two further submissions have been received, including one (submission no. 12) that is confidential to the Board. Public versions of these agenda papers do not include the confidential submission or the comments made in that submission.

## Sub-committee Review

The draft collation and draft recommendations were circulated to the Board's Control in the NFP Sector Sub-committee for comment. Sub-committee members supported proceeding to finalise the implementation guidance, with amendments to the proposed text and examples as required, including adding a further major example of direct application to private sector NFP entities. Sub-committee members were reluctant to add numerous detailed examples – there are endless examples that users would like to see.

## **Issues**

The collation addresses, in the staff's view, all of the significant issues raised by respondents. Given the limited time at the Board meeting for discussion of this topic, the staff intend to address certain issues at the meeting in detail and to address the other issues only in general, unless Board members wish to raise any of those other issues for discussion.

Staff propose to address the following issues at the meeting:

- SMC 3 – the definition of structured entity and the scope of administrative arrangements;
- additional comments AC1 (scope of implementation guidance) and AC2 (application date);
- issue 1.1 (see Appendix A, section 1) – proposed additional comprehensive example addressing alternative scenarios regarding a charity and a related entity;
- issues 2.1 and 2.2 – the role of the purpose and design of an investee;
- issues 3.1, 3.2 and 3.5 – the local government example and issues regarding the identification of the relevant activities, a 'controlled local government' example and the Board's general conclusion in paragraph IG6;
- issues 5.1 and 5.4 – the meaning of delegation and the notion of delegated control;
- issue 6.1 – emphasis upon relevant activities first rather than substantive and protective rights;
- issue 8.1 – substantively enacted legislation; and
- issue 11 – removal rights.

After discussing the issues, the Board will be asked to decide whether it is appropriate to proceed to finalise the implementation guidance for inclusion with AASB 10 and AASB 12. If so, staff

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envisage working with the Board's Sub-committee to finalise a pre-ballot draft, rather than a ballot draft, since many changes to the proposed implementation guidance are likely.

## **Question for the Board**

Q1 Does the Board support finalising the implementation guidance for promulgation as amendments to AASB 10 and AASB 12?