



**Subject:** Minutes of the 149<sup>th</sup> meeting of the AASB  
**Venue:** Teqsa Offices,  
Level 14, 530 Collins St, Melbourne  
**Time(s):** Wednesday 2 December 2015 from 9:30 am to 5.00 p.m.  
Thursday 3 December 2015 from 8.30 a.m. to 3.00 p.m.

All agenda items except items 4 and 19 were discussed in public.

## Attendance

Members            Kris Peach (Chair)  
                         Mike Blake  
                         Peter Carlson  
                         Kimberley Crook  
                         Peter Gibson  
                         Andrew Kearnan  
                         Steve Mitsas  
                         Carmen Ridley (apology day 2 from 1:00pm – 3:30pm)  
                         Taryn Rulton  
                         Marc Smit  
                         Ann Tarca  
                         Megan Wilson (apology day 2 from 1:00pm – 3:30pm)

Apologies            Regina Fickers  
                         Anna Crawford  
                         John O’Grady (Observer)  
                         Tim Youngberry (Observer)

In Attendance:  
Staff                    Clark Anstis (in part)  
                         Lisa Cloutter (in part)  
                         Nikole Gyles (in part by teleconference)  
                         Ahmad Hamidi Ravari (in part)  
                         David Ji (in part)  
                         Kala Kandiah  
                         Eric Lee (in part)  
                         Evelyn Ling (in part)  
                         Mark Shying (in part)  
                         Daen Soukseun (in part)  
                         Joanna Spencer (in part)  
                         Angus Thomson (in part)

## Agenda and Declaration of Interests

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. Peter Gibson advised that he had a conflict of interest with the HoTARAC submission relating to agenda item 9 *IASB Agenda Consultation*.

## Chair Report

### *Staff Update*

The Chair noted that James Barden and Duong Tran, LaTrobe University students, are currently engaged in work experience at the AASB from 23 November to 18 December 2015.

### *International Meetings*

The Chair provided the Board with an update on the international meetings she has attended: Asian-Oceanian Standard-Setters Group (AOSSG). The Chair noted the key issues discussed.

## Apologies, Minutes and Approvals Out of Session

Agenda Item 2

### Apologies

An apology was noted for Anna Crawford and Regina Fickers for both days of the meeting. An apology was noted on day 2 for Carmen Ridley from 1:00 pm – 3:00 pm and for Megan Wilson from 1:00pm – 3:00pm.

### Minutes

The Board approved the minutes of the one hundred and forty-eighth meeting held on 21-22 October 2015.

### Approvals Out of Session

The Board had before it a memorandum from Lisa Clutter dated 17 November re Voting Summary [Board only] (agenda paper 2.2).

The Board noted that AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs* was approved out-of-session.

In addition, the following Exposure Drafts and Invitation to Comment were issued under the Board's policy of delegated authority for the Chair to issue the IASB Exposure Drafts and Invitation for Comment:

- (a) Draft IFRIC Interpretation DI/2015/1 *Uncertainty over Income Tax Treatments*, comments are due by the 21 December 2015 to the AASB and 19 January 2016 to the IASB;
- (b) Draft IFRIC Interpretation DI/2015/2 *Foreign Currency Transactions and Advance Consideration*, comments are due by the 21 December 2015 to the AASB and 19 January 2016 to the IASB;
- (c) AASB Exposure Draft ED 271 IFRS Practice Statement *Application of Materiality to Financial Statements*, comments are due by the 21 December 2015 to the AASB and 19 January 2016 to the IASB; and
- (d) AASB Invitation to Comment ITC 34 *AASB Agenda Consultation 2017-2019*, comments due by the 4 March 2016 to the AASB.



## Leases

### Agenda Item 3

The Board indicated it was generally supportive of issuing the upcoming IASB Standard on Leases in Australia as AASB [16] shortly after the IASB has issued the international Standard (IFRS [16]).

The Board tentatively decided to include a consequential amendment in AASB 10XX *Income of Not-for-Profit Entities* for AASB [16] relating to below-market leases entered into by NFP lessees, rather than include additional guidance in AASB 117 *Leases* and AASB 1004 *Contributions*.

The Board tentatively decided that differences between the accounting requirements for leases and Government Finance Statistics (GFS) requirements as a result of AASB [16] would not require additional guidance or amendments to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Action:	Staff
	Board

## Regulatory Update

### Agenda Item 4

The Board received an update on ASIC's financial reporting surveillance program from Doug Niven.

## IASB's Capital markets Advisory Committee

### Agenda Item 5

The Board received an update on the operation of the IASB Capital Markets Advisory Committee and its November 2015 meeting from Tanya Branwhite, the Australian representative on the Committee.

## Reporting Service Performance Information

### Agenda Item 6

The Board deferred the comment period on ED 270 *Reporting Service Performance Information* from 12 February 2016 to 29 April 2016 to allow further consultation with the NFP private sector. The Board received a briefing of key points raised in the Education Sessions and Roundtable discussions on ED 270 held during November 2015.

Action:	Staff
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## Australian Financial Reporting Framework

### Agenda Item 7

The Board received an update on the project addressing the Australian financial reporting framework in terms of which entities should prepare and lodge general purpose financial statements and the content of



such financial statements. The Board noted the approach in New Zealand of deeming certain entities to have public accountability and thus required to prepare general purpose financial statements under Tier 1.

No decisions were made.

Action: Staff

## Materiality Practice Statement

Agenda Item 8

The Board tentatively decided to issue IASB ED/2015/8 IFRS Practice Statement *Application of Materiality to Financial Statements* (incorporated into AASB ED 271) as a non-mandatory [AASB] Practice Statement when finalised.

Action: Staff

## IASB Agenda Consultation

Agenda Item 9

The Board tentatively decided the AASB submission to IASB Request for Views *2015 Agenda Consultation* should suggest:

- (a) forward-thinking projects be added on:
  - (i) measurement in the Conceptual Framework and developing a definition of profit, as they link with existing projects on Financial Instruments with Characteristics of Equity and Primary Financial Statements;
  - (ii) review of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*;
  - (iii) Intangible Assets (disclosures); and
  - (iv) standardising the terms of likelihood used in IFRS;
- (b) problem-solving projects be added on:
  - (i) IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*; and
  - (ii) IAS 36 *Impairment of Assets*; and
- (c) Equity Accounting should be addressed at a fundamental level or not at all.



The Board tentatively agreed to rank the priority of the Discount Rates project as a 'medium' priority project, but noted that a higher priority may be appropriate for any domestic NFP sector project that the AASB might consider.

In addition, the Board tentatively decided the AASB submission should encourage the IASB to work closely with other standard-setters in fields that are important to supporting the successful implementation of IFRS, for example, valuation of financial instruments.

The Board decided to finalise the AASB submission out-of-session via the Chair, Peter Carlson, Ann Tarca and Regina Fikkers.

Action:	Staff
	Kris Peach
	Peter Carlson
	Ann Tarca
	Regina Fikkers

## Income of Not-for-Profit Entities

### Agenda Item 11

The Board redeliberated the 'sufficiently specific' principle articulated in ED 260 *Income of Not-for-Profit Entities*. The Board tentatively decided:

- (a) that the 'sufficiently specific' principle in ED 260 be retained to determine when a performance obligation that would require deferral of revenue recognition exists. The key element is being able to determine whether or not a performance obligation has been satisfied;
- (b) to explore further the link between 'sufficiently specific' and 'distinct' (as used in AASB 15 *Revenue from Contracts with Customers*) and in the context of an explicit and/or implied promise. AASB 15 requires that, to qualify as a performance obligation, the goods or services in an entity's promise to transfer goods or services in a contract with a customer must be distinct and therefore that promise is separately identifiable from other promises in the contract;
- (c) that a transfer to a not-for-profit (NFP) entity that has a single purpose charter (e.g., counselling service) would not automatically constitute a promise that meets the 'sufficiently specific' criterion – however, if the conditions enabled a determination of when the service had been provided the criterion could be met;
- (d) to retain the notion that a transferor's stipulation to use the transferred funds over a particular time period, without any other conditions, does not meet the 'sufficiently specific' criterion as time is not a good or service; and
- (e) to rewrite paragraph IG13 of Appendix E of ED 260, to provide examples and refer to the role of an acquittal process in assessing progress towards satisfaction of the performance obligation.

The Board asked staff to bring back to the next Board meeting draft wording and examples to assist the Board in finalising its views in relation to 'sufficiently specific'. The Board noted that at the next Board meeting it would continue its redeliberation of when an agreement is enforceable.



Action: Staff

## Service Concession Arrangements: Grantor

### Agenda Item 12

The Board decided to retain the principles in ED 261 *Service Concession Arrangements: Grantor* that the grantor controls the asset if it controls or regulates what services the operator must provide with the asset, to whom it must provide them and at what price. The Board also decided that the existing application guidance should be restructured and additional guidance provided on:

- (a) the requirement to apply the broader concept of control in other Australian Accounting Standards and include a new 'Implementation Guidance' section that sets out the typical types of arrangements for private sector participation in the provision of public sector services with references to the relevant Australian Accounting Standards that may apply to those arrangements;
- (b) those arrangements within the scope of the proposed Standard, including arrangements involving third-party regulation, long term arrangements, outsourcing, service or privatisation arrangements based on whether they meet the control criteria;
- (c) situations in which there is a change in the grantor's control of the asset and that the final Standard should not include the words "(eg outsourcing, service contracts, or privatisation)" that were proposed in paragraph 6 of ED 261; and
- (d) the relationship between 'significant residual interest' and the extent to which an arrangement covers the 'whole-of-life' of the assets concerned in determining whether the grantor has control of the assets. The Board also decided to retain the term 'current value' in the context of determining the significance of the residual interest to be consistent with AASB Interpretation 12 *Service Concession Arrangements*.

The Basis for Conclusions is to include the Board's analysis used in determining the above additional guidance.

The Board discussed whether the proposed 'grant of the right to the operator' model is an appropriate model for recognising service concession liabilities when the grantor does not have a contractual obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and instead grants the operator the right to earn revenue from third-party users or another revenue-generating asset (as proposed in ED 261). The Board decided that the project should continue on the basis that it is an appropriate model and instructed Staff to research, for completeness, the rationale for the decision to adopt the model, taking into consideration issues around determining the fair values of assets under this model. The Basis for Conclusions is to include the Board's analysis on this matter.

Action: Staff



## International projects and IFRIC draft interpretations

### Agenda Item 13

The Board noted no concerns arising from recent international meetings held by the IASB, IFRS Interpretations Committee and the Joint Transition Resource Group for Revenue Recognition.

#### **Draft AASB Submission on DI/2015/1 Uncertainty over Income Tax Treatments**

The Board generally supported the proposals in Draft IFRIC Interpretation DI/2015/1 *Uncertainty over Income Tax Treatments*, noting:

- (a) the use of the US cumulative probability approach should be identified clearly as being permissible or not permissible under IFRS; and
- (b) whilst preferring a fundamental review of IAS 12 *Income Taxes*, rather than piecemeal changes, these proposals are unlikely to cause other issues.

The Board decided to finalise the AASB submission out-of-session via the Chair.

#### **Draft AASB Submission on DI/2015/2 Foreign Currency Transactions and Advance Consideration**

The Board generally supported the proposals in Draft IFRIC Interpretation DI/2015/2 *Foreign Currency Transactions and Advance Consideration*, noting the submission should:

- (a) disagree with the proposed scope exclusion of insurance contracts and income taxes, as the scope of the Interpretation would be inconsistent with that of IAS 21 *The Effects of Changes in Foreign Exchange Rates*;
- (b) recommend that the Committee include guidance to assist in distinguishing monetary from non-monetary items;
- (c) recommend limiting transition options;
- (d) comment that the alignment of the effective date of the Interpretation with that of IFRS 15 *Revenue from Contracts with Customers* is unnecessary; and
- (e) recommend the Committee include its rationale for using the term 'deferred income liability' rather than 'contract liability'.

The Board decided to finalise the AASB submission out-of-session via the Chair.

Action

Staff

Chair



## International Meetings Update

### Agenda Item 14

The Board received an overview of the international meetings in which the Chair and staff have been involved since the last Board meeting.

## IPSASB Consultation Paper *Recognition and Measurement of Social Benefits*

### Agenda Item 15

The Board decided not to make a submission on the IPSASB's Consultation Paper *Recognition and Measurement of Social Benefits*, and will consider this as part of its domestic agenda consultation process.

Action:	Staff
	Board

## Research Update

### Agenda Item 16

The Board noted the updated research work program and recent Research Centre activities including:

- (a) the preliminary report on the joint research with the Korea Accounting Standards Board on IFRS 'terms of likelihood' presented at the 2015 annual AOSSG meeting, and which will be presented at the December ASAF meeting;
- (b) commencement of work on the literature review for the post-implementation review of IFRS adoption in Australia;
- (c) progress on extending the database of information from financial statements lodged with the ASIC; and
- (d) the forthcoming meeting of the AASB's Academic Advisory Panel, including the plan to maintain an up-to-date schedule identifying academic research being conducted in areas of interest to the AASB.

Action:	Staff
	Chair

## Emerging Issues

### Agenda Item 17

### Property, Plant and Equipment

The Board decided to consider in detail at a future meeting the submission received on issues with property, plant and equipment within the scope of AASB 116 *Property, Plant and Equipment* measured on the revaluation model.





## Tax Disclosures

The Board noted recent developments in the area of tax disclosures, including the effective tax borne work being undertaken by the Australian Taxation Office and complementary efforts to introduce country-by-country reporting as part of an OECD initiative.

The Board also noted the recent reinvigoration of the AASB's liaison with the ATO on a range of issues, including the tax disclosures made in general purpose financial statements.

Action:	Staff
	Board

## Strategic Plan Update

Agenda item 18

The Board noted that a number of key performance indicators for the AASB's strategic directions had been achieved, and the majority of those remaining are on track.

## Close of Meeting

The Chair closed the meeting at 3:00 p.m. on Thursday 3 December 2015.

## Approval

Signed by the Chair as a correct record  
this twenty-third day of February 2016