



**Subject:** Minutes of the 150<sup>th</sup> meeting of the AASB  
**Venue:** Teqsa Offices, Level 14, 530 Collins St, Melbourne  
**Time(s):** Tuesday 23 February 2016 from 9:30 am to 5.30 p.m.  
Wednesday 24 February 2016 from 8.30 a.m. to 4.30 p.m.

All agenda items except items 1(a) and 22 were discussed in public.

## Attendance

Members  
Kris Peach (Chair)  
Mike Blake  
Peter Carlson (apology day 1 from 5:00 pm – 5:30 pm)  
Anna Crawford  
Kimberley Crook (apology day 2 from 3.00 pm – 4.30pm)  
Regina Fikkers  
Peter Gibson  
Andrew Kearnan (apology day 2 from 2.00 pm – 4.30pm)  
Steve Mitsas  
Carmen Ridley (apology day 2 from 1:00pm – 4.30pm)  
Taryn Rulton (apology day 1 from 3:15pm – 4:30 pm)  
Marc Smit  
Ann Tarca (apology day 2 from 4:00 pm – 4.30 pm)  
Megan Wilson

Apologies  
John O’Grady (Observer)  
Ian Mackintosh, IASB Vice-Chair

In Attendance:  
Susan Pascoe, ACNC (in part)  
Nicholas Pawsey, LaTrobe University (in part)

Staff  
Clark Anstis (in part)  
Lisa Cloutter (in part)  
Nikole Gyles (in part)  
Ahmad Hamidi Ravari (in part)  
Junyoung Jeong (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)  
Teng Zhou (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. No such matters arose in this meeting.

### Chair Report

#### Staff Update

The Chair noted:

- (a) Regina Fikkers has been appointed as AASB Deputy Chair;
- (b) Junyoung Jeong and Teng Zhou have been appointed as graduate interns for 2016;
- (c) David Ji's last meeting; he is departing in March 2016 to take up a position at the IASB as a technical associate;
- (d) Nikole Gyles, Technical Director will return from maternity leave on 15 March 2016, she will be working 2 days a week; and
- (e) The AASB has advertised for an Assistant Project Manager/Project Manager to join the technical team.

#### *Alumni Function*

The Chair noted that the AASB will be holding an Alumni function later in the year celebrating 50 years of Australian accounting standard setting.

### International Meetings

The 2016 Annual AOSSG meeting will be held in Wellington on 28 – 30 November 2016.

#### *IASB Appointments*

The Chair noted that Hans Hoogervorst, IASB Chairman has been reappointed for a second, five-year term with effect from 1 July 2016. Ian Mackintosh will step down from the IASB Vice-Chairman role when his current term expires on 30 June 2016.



## Technical Matters

The AASB has set up Project Advisory Panels for the Financial Instruments and Business Combinations projects.

## Other Matters

Kris Peach, AASB Chair met with Alex Hawke, Assistant Minister re the AASB's Financial Reporting Framework Project.

CPA Australia held a forum in Canberra, and CA ANZ held a forum in Melbourne, at which Ian Carruthers (current Chair of IPSASB) & Andreas Bergmann (former Chair of IPSASB) presented on the work of the IPSASB. The AASB also hosted an academic forum in Melbourne with Ian and Andreas with a focus on research opportunities in the public sector.

## Apologies, Minutes and Approvals Out of Session

Agenda Item 2

### Minutes

The Board approved the minutes of the one hundred and forty-ninth meeting held on 2-3 December 2015.

### Approvals Out of Session

The Board noted that AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128* was approved out-of-session.

The following Exposure Drafts were issued under the Board's policy of delegated authority for the Chair in relation to IASB Exposure Drafts:

- (a) AASB Exposure Draft ED/2015/10 *Annual Improvements to IFRSs 2014-2016 Cycle*, comments are due by the 22 January 2016 to the AASB and 17 February 2016 to the IASB; and
- (b) AASB Exposure Draft ED/2015/9 *Transfers of Investment Property*, comments are due by the 15 February 2016 to the AASB and 18 March 2016 to the IASB.

## Reduced Disclosure Requirements

Agenda Item 3

The Board tentatively decided to:

- (a) retain paragraphs that provide guidance on disclosures for Tier 2 entities;
- (b) specifically seek feedback on a new approach of identifying Tier 2 disclosures in an appendix for each Standard;



- (c) when a Standard does not have separate sections for disclosure and presentation requirements, include both presentation and disclosure requirements in the Tier 2 appendix. Feedback will be sought on this proposal; and
- (d) reduce disclosures in a Standard relating to accounting policies on recognition or measurement because the disclosure requirements in AASB 101 & AASB 108 are sufficient.

The Board noted:

- (a) the reduction of significant estimates and judgements disclosures specific to a transaction or event because the disclosure requirements of AASB 101 & AASB 108 are sufficient needs to be reconsidered;
- (b) the post-implementation review of the current reduced disclosure requirements for Tier 2 entities will be included in the ED; and
- (c) notwithstanding the RDR project is a joint project with the NZASB, a joint ED would not be issued. The Board noted the NZASB does not intend to use the appendix approach to presenting disclosures for Tier 2 entities.

The Board expects to vote on an ED at the April 2016 meeting.

Action: Staff

## Communications & AASB Work Plan

Agenda Item 4

The Board noted the AASB Work Program and Meeting Pipeline as at 8 February 2016.

## ACNC's strategy and key projects

Agenda item 5

The Board received an update from Susan Pascoe, Commissioner of the ACNC, on the ACNC's Strategic Plan 2015-18. This included discussions of the ACNC's strategic goal around supporting the adoption of sector specific accounting standards, which is likely to be interrelated with the AASB's work on the Australian Financial Reporting Framework and review of IFRS adoption.

## Leases

Agenda Item 6

The Board approved AASB 16 *Leases*, applicable for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted provided AASB 15 *Revenue from Contracts with Customers* is also applied.



Action: Staff

## ED 272 Transfers of Investment Property

Agenda item 7

The Board generally supported the proposals in ED/2015/9 *Transfers of Investment Property*. The Board decided its submission should agree with the proposed amendments to:

- (a) allow transfers to and from investment property where there is evidence of a change in use; and
- (b) re-characterise the list of circumstances in IAS 40 *Investment Property* evidencing that a change in use has occurred as a non-exhaustive list.

However, the Board decided to support prospective, rather than retrospective, application of the proposed amendments. The Board considered prospective application to be more appropriate to avoid the use of hindsight in identifying a change in circumstances and in the measurement of the investment property.

Action: Staff

## Annual Improvements to IFRSs 2014-2016 Cycle

Agenda item 8

The Board generally supported the proposals in IASB Exposure Draft ED/2015/10 *Annual Improvements on IFRS 2014 – 2016 Cycle*, noting the AASB submission on the ED should:

- (a) comment that determining the “not applicable” dates referred to in the Basis for Conclusions of the ED is not straightforward;
- (b) recommend introducing “sunset clauses” for future short-term exemptions; and
- (c) recommend deleting the footnote to paragraph 44G of IFRS 7 *Financial Instruments: Disclosures*.

Action: Staff

## Australian Financial Reporting Framework

Agenda Item 9

The Board supported the general view expressed at roundtables held in January that there is scope for improving the application of financial reporting requirements for not-for-profit entities in the private and public sectors. The roundtables discussed many aspects, including reporting thresholds and the possibility of adding a third tier of reporting requirements. Summaries of the roundtable discussions will be published on the AASB website. The Board noted the importance of ongoing consultation with a broad range of stakeholders as the project progresses. No decisions were made.



The Board noted extracts from the Final Report (December 2015) of the Royal Commission into Trade Union Governance and Corruption that relate to financial reporting requirements and issues. Recommendation 42 refers to consultation with the Board in respect of requiring reporting units to prepare consolidated financial statements, as well as separate financial statements for controlled entities.

Action: Staff

## **ED 269 Recoverable Amount of Non-cash generating Specialised Assets of Not-for-Profit Entities**

Agenda item 10

The Board tentatively decided to:

- (a) proceed with removing references to depreciated replacement cost as a measure of value in use from AASB 136 *Impairment of Assets*; and clarifying the role of AASB 13 *Fair Value Measurement* in determining the recoverable amount of non-cash generating specialised assets of not-for-profit entities;
- (b) specify an impairment test is no longer required when non-cash generating specialised assets of not-for-profit entities are measured at fair value; and
- (c) note in the Basis for Conclusions that current replacement cost (CRC) under AASB 13 is the CRC of the remaining service capacity of the target asset; and costs to change the target asset to a marketable asset, such as rezoning and decommissioning costs, are not disposal costs.

An Amending Standard will be approved out of session.

The Board also agreed that any necessary guidance in relation to the cost approach under AASB 13 should be part of a fair value project.

Action: Staff  
Board members

## **Public Sector Reporting Requirements**

Agenda item 11

The Board received a presentation on the Australian public sector structure and reporting requirements from Peter Gibson, AASB member and Assistant Secretary, Financial Reporting and Accounting in the Commonwealth Department of Finance and Deregulation.



## Income of Not-for-Profit Entities

### Agenda Item 12

The Board tentatively decided, in the context of recognising revenue when receiving assets:

- (a) moral obligations and economic compulsion alone do not give rise to liabilities;
- (b) arrangements between sovereign States or between an asset provider and recipient, requiring mutual agreement on how funds/assets can be used, are enforceable by an administrative process and therefore in the scope of AASB 15 *Revenue from Contracts with Customers*;
- (c) enforceable contracts including transfers of goods and services are in the scope of AASB 15; and
- (d) constructive obligations, arising from non-enforceable agreements outside the scope of AASB 15, should only be recognised when there is no realistic alternative to settling and there is a sufficiently specific promise, consistent with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.  
The Board does not expect that this would give rise to many liabilities.

Staff will develop illustrative examples to explain these tentative decisions.

Action: Staff

## Service Concession Arrangements: Grantor

### Agenda item 13

The Board decided to retain the measurement approach in ED 261 *Service Concession Arrangements: Grantor*. ED 261 proposed the grantor initially measures the service concession asset at fair value with the liability measured at the same amount as the service concession asset. The Board decided the final Standard should clarify the service concession asset is a specialised asset that the grantor uses for its service potential to achieve public service objectives. Consequently, the cost approach to measuring the fair value of service concession assets would be relevant and the measurement would be unaffected by any granting of the rights to future cash flows of the asset to the operator. This clarification is to be included in the Basis for Conclusion along with the following Board analysis and rationale:

- (a) the final Standard should not contain, in the Application Guidance, guidance on how to determine CRC as the fair value measurement of service concession assets. This guidance is better addressed in a separate (broader) project on the fair value of assets held by not-for-profit entities, including service concession assets; and
- (b) in determining the fair value of a service concession asset:
  - (i) because the asset is being applied in the provision of public services, a right of access provided to the operator under the grant of the right to the operator model, for the purposes of



this standard, it will not be considered a restriction on the sale or use of the service concession asset; and

- (ii) the unit of account of the service concession asset is the entire useful life of the asset, including any residual value of the asset.

The Board confirmed the proposal that, under the grant of the right to the operator model, the grantor would recognise revenue, and accordingly reduce the liability, in accordance with the economic substance of the arrangement.

The Basis for Conclusions will also include the Board's consideration of alternative measurement approaches, including the decision not to apply:

- (a) AASB 140 *Investment Property* by analogy to measure the asset's fair value where the grant of the right to the operator model applies;
- (b) the licensing Application Guidance in AASB 15 *Revenue from Contracts with Customers* by analogy, consistent with the Board's decisions on this matter in previous meetings; and
- (c) the financial liability model to all service concession arrangements, consistent with the Board's decision to benchmark to the principles of IFRIC 12 *Service Concession Assets* and IPSAS 32 *Service Concession Arrangements: Grantor*.

Action:

Staff

## International Projects

Agenda Item 14

The Board decided to:

- (a) defer further consideration of AASB ED 254 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* in response to the IASB's decision not to finalise those proposals but incorporate them into the post-implementation review of IFRS 13 *Fair Value Measurement*; and
- (b) make submissions on the IPSASB's exposure drafts ED 59 *Amendments to IPSAS 25* and ED 60 *Public Sector Combinations*.

Action:

Staff

## Disclosure Initiative - Amendments to AASB 107 Statement of Cash Flows

Agenda Item 15

The Board agreed to amend AASB 107 to require disclosures explaining changes in liabilities classified as financing activities in the Statement of Cash Flows, incorporating International Financial Reporting Standard *Disclosure Initiative (Amendments to IAS 7)*. The amendments will be finalised out of session and apply to annual periods beginning on or after 1 January 2017.





The Board decided not to make a not-for-profit specific amendment. While the additional disclosure may be of less relevance to users of not-for-profit public sector entity general purpose financial statements, the benefits of compliance with the IFRS will outweigh the costs of making the additional disclosure.

The Board further decided the new disclosures should be excluded from Tier 2 reporting requirements. The Board noted that the disclosure requirement in the form of a reconciliation similar to that exposed in ED 258 was proposed for exemption for Tier 2. Accordingly the Board was satisfied that sufficient due process in this regard has been performed.

The Board noted that it intends to revisit all Tier 2 reporting requirements in AASB 107 as part of its Reduced Disclosure Requirements project.

Action: Staff  
AASB Board Members

## Recognition of Deferred Tax Assets for Unrealised Losses

Agenda Item 16

The Board approved amendments to AASB 112 *Income Taxes* clarifying the recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value, incorporating International Financial Reporting Standard *Recognition of Deferred Tax Assets for Unrealised Losses*. The amendments apply to annual periods beginning on or after 1 January 2017.

The Board also decided that no specific not-for-profit amendment to the IFRS is necessary, as the amendments clarify an existing AASB 112 principle. The Board noted that the Amending Standard does not introduce any ongoing new disclosure requirements, and accordingly, no amendments are required to Tier 2 reporting requirements.

Action: Staff

## ED 271 IFRS Practice Statement on Materiality in Financial Statements

Agenda Item 17

The Board decided its comment letter on IASB Exposure Draft ED/2015/8 *IFRS Practice Statement: Application of Materiality to Financial Statements* should:



- (a) support issuing guidance on materiality in the form of a non-mandatory Practice Statement, given the jurisdictional issues and the current form of the document. The Board also decided to acknowledge in its comment letter that some Australian constituents would prefer guidance on materiality be issued in a form other than a Practice Statement;
- (b) note that it considers the examples in the ED to be helpful, but further examples that address more challenging circumstances where the materiality assessment is more subjective would be more helpful;
- (c) support the proposal to issue the Practice Statement before the finalisation of the IASB's *Principles of Disclosure* project, but note that it may be better to delay issue until finalising the revised *Conceptual Framework for Financial Reporting* to avoid the need to make consequential amendments to the Practice Statement; and
- (d) support not including quantitative thresholds for materiality, as these should be entity-specific, but encourage the IASB to provide further guidance to assist entities to determine appropriate quantitative thresholds. However, the Board decided to acknowledge in its comment letter that some Australian constituents would prefer including quantitative thresholds.

The Board also noted instances where the content of the ED could be improved or clarified, and where guidance could be added to provide a more balanced view. The comment letter will encourage the IASB to address the interaction of materiality principles with IAS 34 *Interim Financial Reporting*, IFRS 8 *Operating Segments* and IFRS terminology that implies materiality such as 'significant'.

The Board decided that the IASB had sufficiently addressed the interaction between materiality in accounting and auditing standards.

The Board will finalise its comment letter out-of-session via the Chair.

In addition, the Board directed staff to undertake research on how Australian regulators have interpreted the concept of materiality (for example, whether the quantitative thresholds in superseded AASB 1031 *Materiality* continue to be referenced) and what legal and other relevant interpretations have occurred in Australia. The Board expects this research to eventuate in a staff publication.

Action:	Staff
	Kris Peach

## Review of IFRS adoption in Australia

Agenda item 18

Dr Nicholas Pawsey presented a literature review of IFRS adoption in Australia. The Board plans to publish the literature review as an AASB Research Report in May 2016. The Board noted the lines of enquiry staff should address when they conduct outreach on the impact of IFRS adoption on for-profit and not-for-profit entities between April and June.



## Research Update

Agenda Item 19

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

- (a) finalising a literature review of IFRS adoption in Australia, and commencing outreach on the impact of IFRS adoption in Australia from late April to June 2016;
- (b) presenting an update of the joint research with the Korea Accounting Standards Board on IFRS 'terms of likelihood' at the IFASS meeting in April 2016, with the final report expected in May; and
- (c) hosting the next AASB Academic Advisory Panel meeting on 1 April 2016 to have Panel members identify relevant research in areas of interest to the AASB and ASAF; promote collaboration with the AASB and consider the AASB's possible role in education.

Action:	Staff
	Chair

## Strategic Plan Update

Agenda item 21

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 4.30 p.m. on Wednesday 24 February 2016.

## Approval

Signed by the Chair as a correct record  
this twentieth day of April 2016