



To:	AASB members	Date:	2 March 2011
From:	Robert Keys	Agenda Item:	7.1
Subject:	GAAP/GFS Harmonisation: Entities within the GGS	File:	

Action

Resolve sweep issues arising from the first pre-ballot draft ED with a view to providing staff with final instructions for drafting a ballot draft to be circulated for out-of-session voting after the meeting.

Attachments

- Second pre-ballot draft ED XXX *Not-for-Profit Entities within the General Government Sector* – marked-up from the first pre-ballot draft (Agenda paper 7.2);
- Sweep issues arising from the first pre-ballot draft ED (Agenda paper 7.3);
- Issues paper: Comparison of Administered Items Disclosure Requirements in AASB 1050 and Draft ED XXX (Agenda paper 7.4) – provided as a background paper to sweep issue 3; and
- Analysis of Disclosure Requirements Proposed in ED XXX with a View to Determining Corresponding Tier 2 Disclosure Requirements (Agenda paper 7.5) – as agreed by the RDR sub-committee and subsequently marked-up to reflect the insertion of paragraph 21 into ED XXX re AASB 1052 *Disaggregated Disclosures*, provided for your information.

Background

This agenda item relates to Phase 2 of the Board's two phased GAAP/GFS Harmonisation project arising out of the FRC's direction, and focuses on improving financial reporting by entities within the GGS (such as government departments).

In January 2009, as a first step in Phase 2, the Board issued ED 174 *Amendments to Australian Accounting Standards to facilitate GAAP/GFS Harmonisation for Entities within the GGS [AASBs 101, 107 and 1052]*. After considering the responses to ED 174, the Board decided not to proceed with the proposals and instead to develop another ED with different proposals. The draft Preface and Basis for Conclusions in agenda paper 7.2 provide further background to the project.

Between the period June 2009 to October 2010 the Board considered a range of issues, culminating in a draft ED that was reviewed by the project sub-committee (in relation to Tier 1) and the RDR sub-committee (in relation to Tier 2), which led to a pre-ballot draft (dated 21 February 2011) that was circulated to all Board members for comment.

We received a number of comments from Board members. In our view, some of the comments:

- (a) should give rise to amendments to the draft ED, and these are reflected in the mark-ups in agenda paper 7.2. If you have any editorial (or more substantive) comments on the draft ED, please email them to rkeys@asb.gov.au, ideally before the forthcoming meeting;
- (b) should not give rise to amendments to the draft ED. We have explained our view on each of these issues to the Board member who raised it. No Board member has come back to us disagreeing with our approach to their issues; and
- (c) should be considered by the Board because they are substantive. These issues are included in agenda paper 7.3 as sweep issues.

The purpose of the discussion at this meeting is to resolve each sweep issue.

Overview

The following table summarises the sweep issues we have identified and how staff suggest that they are dealt with. All the staff views are reflected in agenda paper 7.2, except issue 4:

<i>Sweep issue</i>	<i>Staff view</i>
1. Should entities be required to present GFS classifications (eg transactions/other economic flows) in the notes and prohibited from presenting them on the face?	No – we think entities should continue to be allowed to disclose such information on the face, consistent with the flexibility allowed by GAAP (AASB 101).
2. If an entity is required to present GFS classifications in the notes, should all line items be required, or would disclosure at the category level be sufficient?	Consistent with the principle of GAAP/GFS harmonisation, [and the objective of providing a bridge between the financial statements of an entity within the GGS and the financial statements of the GGS/WoG and assisting users in assessing the contribution of the entity to the GGS/WoG, (see paragraph 1(b) of the draft ED)] details at the line items level should be required. Furthermore, we note that some GAAP line items do not have GFS equivalents – information about which would be lost if only the category level were provided.
3. Should AASB 1050 <i>Administered Items</i> remain applicable?	Yes – this project is not the place to fundamentally review AASB 1050 (see paragraph BC30 of the draft ED).
4. Should budgetary reporting of administered items be proposed to be required in the same way that budgetary reporting of controlled items is proposed to be required?	Yes – particularly on the basis that the requirement would only apply where budgets are presented to Parliament.
5. How much history of this project should be included in the basis for conclusions?	We think the balance as reflected in the draft Basis for Conclusions is right – see paragraphs BC1-BC10 of the draft ED.
6. What process should be followed once (if) the ED has been issued – Roundtables?	Two Roundtables should be scheduled for mid July 2011 – one in Melbourne and one in Canberra.