



Subject: Minutes of the 87th meeting of the AASB
Venue: Ken Spencer Room, AASB offices
Level 7, 600 Bourke St, Melbourne
Time(s): Wednesday 21 May 2008 from 1:30 p.m. to 5:30 p.m. and Thursday 22 May 2008
from 8:30 a.m. to 4:30 p.m.

All agenda items except items 1, 2 and 11 were discussed in public.

ATTENDANCE

Members David Boymal (Chairman)
Glenn Appleyard
Sue Highland
Mark Jenkin
Frank Palmer
Colin Parker
Des Pearson (except Day 2, from 8:30 a.m. to 11:00 a.m.)
Kris Peach
Bruce Porter
Joanna Perry
Brett Rix

Observers Peter Batten (IPSASB Member) (Agenda items 3-5, 8-11)
Robert Williams (Board member elect) (Day 1)

Apologies Jan McCahey
John O'Grady
Des Pearson (Day 2, from 8:30 a.m. to 11:00 a.m.)
Judith Downes (SAC Member)
Warren McGregor (IASB Member)

Staff Dean Arden (in part)
Natalie Batsakis (in part)
Aletta Boshoff (in part)
Ahmad Hamidi (in part)
Geoff Harris
Robert Keys
Andy Pan (in part)
Jim Paul (in part)
Robert Orford (in part)
Sabine Schührer (in part)
Angus Thomson (in part)
Raymond Yu (in part)

APOLOGIES, AGENDA, MINUTES AND MATTERS ARISING FROM MINUTES

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. Mr Jenkin and Ms Peach indicated an interest in the matters dealt with in a letter from the Department of Defence (Agenda item 10.6).

Minutes

The Board confirmed the minutes of the 86th meeting held on 17 April 2008.

CHAIRMAN'S REPORT

Agenda item 2

The Chairman informed members of:

- (a) the implications of the AASB becoming a *Financial Management and Accountability Act* agency and that a brief information note on the changes would be prepared for members. Members were informed that while there would be significant changes in administrative arrangements and relationships the standard setting role of the Board would not change. The Chairman also indicated that while the FRC would retain its role in respect of the strategic direction of the Board it would be in an overview and advising capacity and would no longer have a role in the Board's budgeting and funding;
- (b) the forthcoming appearance of Angus Thomson and himself at Senate Estimates hearings in early June; and
- (c) arrangements for the joint meeting with the FRSB in Auckland on 30-31 July 2008.

Action:

Staff

AMENDMENTS TO AASB 1049 *WHOLE OF GOVERNMENT AND GENERAL GOVERNMENT SECTOR FINANCIAL REPORTING*

Agenda item 3

The Board had before it:

- (a) a memorandum from Robert Keys, Bob Orford and Natalie Batsakis dated 13 May 2008 (Agenda paper 3.1);
- (b) draft Exposure Draft ED 16X *Proposed Amendments to AASB 1049 for Consistency with AASB 101* (Agenda paper 3.2); and
- (c) marked-up AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (for information only) (Agenda paper 3.3).

The Board:

- (a) considered whether there is a need to issue an Exposure Draft (ED) for these amendments, and decided, given that the amendments would require (for the first time) the preparation by whole of governments and GGSs of a separate statement of changes in equity, that a web-based ED is warranted. Given the limited changes being proposed, the Board decided that an exposure period of one month would be sufficient;
- (b) decided that the title ‘statement of comprehensive income’ should be used in the ED rather than ‘operating statement’, to achieve consistency with terminology used in AASB 101 *Presentation of Financial Statements*. The Board also decided that the basis for conclusions should note that, consistent with the flexibility on statement titles allowed for in AASB 101, whole of governments and GGSs would not be restricted to using the titles used in the Standard;
- (c) approved for issue) the draft ED 16X *Proposed Amendments to AASB 1049 for Consistency with AASB 101*, (subject to its amendment to align with the usual style of drafting EDs proposing amending Standards, consideration of any Board member’s editorial comments ([to be provided to staff shortly after the meeting]), final quality control processes by staff and clearance by the Chairman; and
- (d) approved for issue, at the same time as the ED, a marked-up ‘compiled’ draft AASB 1049 and accompanying illustrative examples reflecting all the amendments proposed in the ED, as a supporting document to the ED. The Board noted that this would help constituents to identify the impact of the amendments.

Action:

Staff

GAAP/GFS HARMONISATION FOR ENTITIES WITHIN THE GGS

Agenda item 4

The Board had before it:

- (a) a memorandum from Robert Keys, Sabine Schührer and Bob Orford, dated 13 May 2008 (Agenda paper 4.1);
- (b) an issues paper: *GAAP/GFS Harmonisation for Entities within the GGS* (Agenda paper 4.2);
- (c) an information paper: *Entities within the GGS of Australian jurisdictions* (Agenda paper 4.4)
- (d) an information paper: *GFS four-digit Functional Classification* (Agenda paper 4.5); and
- (e) an extract from the Australian Government’s 2008-09 Budget papers – *Statement 3: Fiscal Strategy and Outlook, Appendix A: A New Budget Accounting Framework* (tabled by Mark Jenkin), as a supplement to Agenda paper 10.8 *Budget 2008-09: Notes 1 and 2 to the Financial Statements* (Agenda paper 4.6 – tabled).

The Board noted that the anticipated Agenda paper 4.3, which was expected to be received from HoTARAC prior to the Board’s May meeting, would not be available for consideration at this

meeting. It is now expected to be considered by HoTARAC at its June meeting before being forwarded to the Board.

Prior to considering the agenda papers, the Board discussed the basis for applying GAAP/GFS harmonisation principles to entities within the GGS and noted the views of some that such an approach would lead to consistency between GGS reporting and the reporting of entities within the GGS. The Board also noted the view of a range of constituents who believe the benefits of harmonisation of entities within the GGS do not justify the costs.

Consistent with the FRC's direction to the Board that the GAAP/GFS Harmonisation Project should cover entities within the GGS (which includes but is not limited to government departments), the Board discussed the implications of applying the principles in AASB 1049 *Whole of Government and General Government Sector Financial Reporting* to such entities. The Board formed tentative views on a range of issues as a basis for staff to prepare a draft ED that will be considered by the Board at a future meeting.

For the purposes of the draft ED, the Board decided that the broad principles of harmonisation currently applicable to GGSs and whole of governments through AASB 1049 should be applied to not-for-profit entities within the GGS and that the specific matters for comment included in the ED should provide respondents with an opportunity to formally express their views on this issue. Furthermore, the Board decided that the basis for conclusions to the ED should be expressed in the context of the FRC direction.

A detailed list of tentative decisions made by the Board is provided in Attachment A.

Action:

Staff

NOT-FOR-PROFIT ENTITY DEFINITION AND GUIDANCE

Agenda item 5

The Board had before it:

- (a) a memorandum from Angus Thomson and Andy Pan dated 13 May 2008 (Agenda paper 5.1);
- (b) a collation of submissions on Invitation to Comment (ITC) 14 (Agenda paper 5.2);
- (c) comment letters on ITC 14 (Agenda paper 5.3);
- (d) ITC 14 *Proposed Definition and Guidance for Not-for-Profit Entities* (Agenda paper 5.4); and
- (e) roundtable summary notes (Agenda paper 5.5).

The Board noted that the main purpose of having the not-for-profit / for-profit distinction is to identify the circumstances in which there would be departures in the Australian Accounting Standards from IFRSs. The Board further noted that the existing Aus paragraph requirements in respect of not-for-profit entities are generally only applicable when another condition is also met, such as the asset concerned being for non-cash generating purposes, or the transaction concerned being non-exchange in nature.

The Board considered agenda paper 5.2 and agreed that:

- (a) the project should be dealt with as part of the criteria being developed for determining when it might be appropriate to permit or require a departure from IFRSs in respect of not-for-profit entities;
- (b) there is not a sufficient basis for changing from the existing term 'not-for-profit entity';
- (c) as a working principle, the existing content of the definition should be used;
- (d) draft guidance should be developed using a range of sources, including the guidance prepared by the New Zealand FRSB, the Heads of Treasuries Accounting and Reporting Advisory Committee and the Australasian Council of Auditors-General; and
- (e) it be proposed that not-for-profit entities disclose their status in certain circumstances.

The Board noted that the need for an entity to disclose its status as being not-for-profit might depend on whether that status had an impact on the accounting policies applied and/or an impact on the reported amounts in the financial statements.

Action:

Staff

KEY MANAGEMENT PERSONNEL DISCLOSURES

Agenda item 6

The Board had before it:

- (a) a memorandum from Aletta Boshoff dated 14 May 2008 re Key Management Personnel Disclosures (Agenda paper 6.1);
- (b) submissions received on ED 162 *Proposed Amendments to Key Management Personnel Disclosures by Disclosing Entities* (Agenda paper 6.2); and
- (c) draft AASB 2008-X *Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities* (Agenda paper 6.3).

The Board considered submissions on ED 162 and agreed to make proposed Accounting Standard AASB 2008-X *Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities* out-of-session. The proposed AASB 2008-X will exempt disclosing entities that are companies that are required to disclose remuneration information about individual key management personnel (KMP) in the remuneration report under section 300A of the *Corporations Act 2001* and Regulation 2M.3.03 from complying with the equivalent KMP disclosures in AASB 124 *Related Party Disclosures* [paragraphs Aus25.2 to Aus25.7.2].

Action:

Chairman
Members
Staff

SUPERANNUATION PLANS AND APPROVED DEPOSIT FUNDS

Agenda item 7

The Board had before it:

- (a) a memorandum from Dean Ardern dated 6 May 2008 (Agenda paper 7.1);
- (b) a memorandum from Dean Ardern dated 14 May 2008 (Agenda paper 7.1.1);
- (c) a project summary and status report (Agenda paper 7.2);
- (d) an issues paper: Principles to be applied to determine users' needs (Agenda paper 7.3);
- (e) an issues paper: Treatment of defined benefit superannuation entitlements with a 'higher of' option (Agenda paper 7.4); and
- (f) an issues paper: Deficiency in defined benefit assets (Agenda paper 7.5).

The Board considered Agenda paper 7.2 and agreed:

- (a) that staff should prepare issues papers considering the potential implications of:
 - (i) 'Choice of Fund' arrangements for disclosures by superannuation plans and ADFs; and
 - (ii) superannuation plans and ADFs applying the requirements in AASB 8 *Operating Segments*; and
- (b) to delete the word 'retain' from the definition of 'vested benefits' agreed by the Board at its March 2008 meeting.

The Board considered Agenda paper 7.3 and tentatively agreed:

- (a) that the primary users of the financial statements of superannuation entities are:
 - (i) members and beneficiaries;
 - (ii) parties employed to act on behalf of members and beneficiaries, such as financial analysts, advisors and unions; and
 - (iii) employer sponsors;
- (b) to adopt, as a starting point, the general principle that, if a particular IFRS recognition, measurement or presentation requirement applies to a superannuation plan or ADF, the entity should also apply the relevant accompanying IFRS disclosure requirements. The Board noted, however, that information disclosed in accordance with this general principle:
 - (i) may not be regarded by some users as essential for making economic decisions in a superannuation context; and

- (ii) may vary with respect to different types of assets, particularly in relation to the methods and assumptions applied in determining fair values;
- (c) that paragraphs 125 – 133 of AASB 101 *Presentation of Financial Statements* provide appropriate guidance in relation to the disclosure of anticipated disposal costs by superannuation plans and ADFs; and
- (d) that some users may regard ‘management expense ratios’ calculated at the whole-of-entity level to be useful for decision making.

Accordingly, the Board agreed that staff should prepare issues papers considering:

- (a) a set of additional principles to facilitate consistent disclosures that users would regard as essential for decision making in a superannuation context; and
- (b) the merits of a superannuation plan or ADF disclosing a management expense ratio for the entity as a whole.

The Board considered Agenda paper 7.4 and noted that, while the option attached to benefit promises that comprise the ‘higher of’ defined benefit and contribution-based amounts is effectively written by the employer sponsor, the value of the option has implications for the benefits that might ultimately be paid to members and beneficiaries. Accordingly, the Board tentatively agreed that superannuation plans that comprise members who are entitled to the higher of a defined benefit entitlement or a contribution-based amount should:

- (a) separately recognise such entitlements as a ‘host promise’ and a ‘higher of’ option;
- (b) recognise and account for the ‘host promise’ in the same way as defined benefit entitlements; and
- (c) measure the ‘higher of’ option at its fair value, assuming the terms of the benefit entitlements do not change.

The Board considered Agenda paper 7.5 and tentatively agreed that, unless there is a specific contractual agreement between an employer sponsor and its superannuation plan, a deficiency in assets attributable to the plan’s defined benefit members compared with the members’ accrued benefits would not give rise to a receivable that is controlled by the plan. This is because the payment of any future contributions by the employer sponsor to address the deficiency:

- (a) is not based on a contract that is enforceable at law, as required under AASB 132 *Financial Instruments: Disclosure and Presentation*; and
- (b) is not a reimbursement that is virtually certain to be received by the superannuation plan, as required under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

The Board also tentatively agreed that a superannuation plan that has a defined benefit deficiency should present such a deficiency in its financial statements and disclose information that enables users to evaluate the nature and implications of the deficiency, including how the trustee monitors and manages the deficiency.

Action:

Staff

DIFFERENTIAL REPORTING IN THE NFP SECTOR

Agenda item 8

The Board had before it:

- (a) a memorandum from Ahmad Hamidi and Raymond Yu dated 9 May 2008 (Agenda paper 8.1);
- (b) an issues paper: Differential Reporting in the Not-for-Profit Sector: Some Key Issues (Agenda paper 8.2);
- (c) a staff paper: Constituents' Views on AASB Proposals regarding Differential Reporting in the NFP sector (Agenda paper 8.3); and
- (d) a staff paper: Incorporated Associations and Non-trading Cooperatives: Current Reporting Status and the Effect of AASB Proposals (Agenda paper 8.4).

The Board discussed the following key issues pertaining to differential reporting in the NFP sector:

- (a) possible classifications of different types of NFP entities within the NFP sector for differential reporting purposes;
- (b) use of approaches based on public accountability and size thresholds, and
- (c) the appropriate number of reporting tiers.

The Board tentatively decided that:

- (a) there should not be any sub-classification of different types of entities in the NFP sector other than between private and public entities;
- (b) neither public accountability nor size thresholds provide a robust basis to identify different tiers of reporting requirements in the NFP sector;
- (c) NFP private sector entities would follow a one-tier reporting system with the choice of applying either of the following alternatives:
 - (i) full IFRSs (as adopted for NFP entities in Australia); or
 - (ii) the IFRS for SMEs (as adopted for NFP entities in Australia); or
 - (iii) a regime of full IFRS recognition and measurement requirements with limited specified disclosures to be determined by the Board.
- (d) NFP public sector entities would follow a two-tier reporting system as follows:
 - Tier 1: financial reporting at Federal, State and Territory whole of government level would be full IFRSs (as adopted in Australia)

- Tier 2: all other public sector entities would have the choice of applying one of the following:
 - (i) full IFRSs (as adopted for NFP entities in Australia); or
 - (ii) the IFRS for SMEs (as adopted for NFP entities in Australia); or
 - (iii) a regime of full IFRS recognition and measurement requirements with limited specified disclosures to be determined by the Board.

The Board agreed that respective jurisdictional authorities could determine the choices that would be followed by NFP entities in their jurisdiction.

The Board noted that reporting requirements in (c) and (d) would apply to general purpose financial statements. Moreover, final decisions about having a regime involving full IFRS recognition and measurement requirements with limited specified disclosures would be made when the final content of the forthcoming IFRS for SMEs is known.

The Board agreed to consider the following issues at future meetings:

- (a) a staff paper outlining decisions made so far in respect of the proposed differential reporting regime together with the bases for conclusions;
- (b) the relationship between lodgement on a public register and the general purpose nature of financial statements;
- (c) the nature of the financial statements of grandfathered companies prepared in accordance with accounting standards; and
- (d) a draft Application Standard depicting a change of application focus from 'reporting entity' to 'general purpose financial statements' showing how a single application standard may be used to require for-profit and not-for-profit entities to apply their respective requirements under the tentatively agreed differential reporting regime.

Action:

Staff

INTERPRETATIONS

Agenda item 9

The Board had before it:

- (a) a memorandum from Aletta Boshoff dated 14 May 2008 re Interpretations (Agenda paper 9.1);
- (b) an update of all interpretation issues in progress (IFRIC and domestic topics) as at 14 May 2008 (Agenda paper 9.2); and
- (c) *IFRIC Update* (May 2008) (Agenda paper 9.3).

The Board received an update on the status of interpretation issues in progress.

OTHER BUSINESS AND CORRESPONDENCE

Agenda item 10

The Board had before it:

- (a) a report of the Meeting of National Standard Setters (NSS) (27-28 March 2008) (Agenda paper 10.1);
- (b) a letter from NSS to David Tweedie, Chairman, IASB dated 10 April 2008 (Agenda paper 10.1.1);
- (c) Notes of NSS Meeting (27-28 March 2008) (Agenda paper 10.1.2);
- (d) Media release: *Commission Services Report on convergence efforts of key partner countries* (22 April 2008) (Agenda paper 10.2);
- (e) European Commission DG Internal Market and Services Working Document *Commission Services Report on convergence efforts of key partner countries* (Agenda paper 10.2.1);
- (f) Media release: *IOSCO urges companies to clarify use of accounting standards* (Agenda paper 10.3);
- (g) AASB submission to the IFRIC dated 29 April 2008 re IFRIC D24 *Customer Contributions* (Agenda paper 10.4);
- (h) AASB submission to the IFRIC dated 29 April 2008 re IFRIC D23 *Distributions of Non-cash Assets to Owners* (Agenda paper 10.5);
- (i) a letter from Philip Prior, Chief Financial Officer, Department of Defence, dated 11 April 2008 re accounting for general stores inventory (Agenda paper 10.6);
- (j) a staff submission to the Legislative Instruments Act Review Committee, dated 9 May 2008 (Agenda paper 10.7);
- (k) a copy of a submission by PricewaterhouseCoopers to the Legislative Instruments Act Review Committee, dated 9 May 2008 (Agenda paper 10.7.1 – tabled);
- (l) Commonwealth Budget 2008-09: Notes 1 and 2 to the Financial Statements (Agenda paper 10.8);
- (m) *FRSB Alert* (summary as at 13 May 2008) (Agenda paper 10.9 – tabled).

The Board noted the correspondence.

EU Equivalence Mechanism

The Board noted that a Working Paper of the European Commission on the convergence of third country GAAP with IFRSs indicates that the Commission strongly welcomes the fact that a number of jurisdictions, including Australia, have already fully adopted IFRSs and that no further decision

under the EU equivalence mechanism is necessary for those jurisdictions.

Accounting for General Stores Inventory

The Board noted that, from the details provided in the letter, the Department of Defence appears to have made every reasonable effort to address the legacy issues relating to general stores inventory referred to in the letter. The Board debated the issue extensively and concluded that, particularly given the Board's principle-based approach to drafting standards and uncertainties surrounding the basis for the current carrying amount, it would not be appropriate to amend an accounting standard to deal with a record-keeping problem that contributed to an audit qualification that pre-dates first time adoption of IFRSs.

REVIEW AND WORK PROGRAM

Agenda item 11

The Board had before it:

- (a) draft AASB detailed work program for 2008-09 (prepared 1 May 2008) (Agenda paper 11.1); and
- (b) draft AASB business plan for 2008-09 (Agenda paper 11.1A – tabled).

The Board decided that the work program should be amended to:

- (a) highlight those high priority projects in Table 2 'non-active projects (subject to resources)' that do not currently have any resources available to them. The Board noted that the priority attributed to an issue should be determined on the basis of importance;
- (b) Table 3 'agenda decisions to be made' should not indicate the priorities of the topics, because agenda decisions are yet to be made. Instead, the table should note that priorities are yet to be determined;
- (c) Item 6 'Performance Indicators' in Table 2 should acknowledge that it will include consideration of the NZ Statement of Service Performance. Also, the linkage between that item and item 1 'Financial Reporting by Charities' in Table 3, should be noted in the work program;
- (d) consistent with the Board's decision on Agenda paper 10.6 recorded above, item 9 'Department of Defence legacy issues relating to general store inventories' in Table 3 should be removed; and
- (e) 'Disclosures relating to dividend imputation credits' and 'Disclosures Framework' should be added as separate items to Table 3.

In addition, the Board decided that:

- (a) staff should prepare a briefing paper for consideration by the Board at a future meeting on item 11 'XBRL (Update taxonomy)' in Table 3. The briefing paper should include a report on the AASB staff involvement in the project to date and consideration of ongoing involvement of the staff and the Board;

- (b) the draft business plan (Agenda paper 11.1A – tabled) should be provided to the FRC; and
- (c) staff should review the descriptions of the items in Table 3 and provide additional brief notes on those for which the descriptions do not adequately convey the nature of the topic.

The Board also agreed that it should formally consider the work plan and the status of projects each six months.

APPRECIATION

The Board expressed its appreciation to Des Pearson for his contributions to its activities on his retirement from the Board on 5 June 2008.

CLOSE OF MEETING

The Chairman closed the meeting at 4:30 p.m. on 22 May 2008.

APPROVAL

Signed by the Chairman as a correct record
this 25th day of June 2008.

ATTACHMENT A

GAAP/GFS HARMONISATION FOR ENTITIES WITHIN THE GGS

Agenda item 4

Board decisions regarding Agenda paper 4.2 *GAAP/GFS Harmonisation for Entities within the GGS*

For ease of reference the following Board decisions have been listed under the section headings contained in Agenda paper 4.2 and numbered to align with the staff view numbers in that paper.

Board view 1: Broad approach to harmonisation by entities within the GGS.

The broad principles of harmonisation currently applied to GGSs and whole of governments through AASB 1049 (as amended for AASB 101 *Presentation of Financial Statements* (September 2007) – see agenda item 3) should be applied to not-for-profit entities (see Board view 3 below) within the GGS. The Board agreed that, if it is accepted that not-for-profit entities within the GGS should be covered by the project, there appears to be no conceptual technical reason why the broad principles of harmonisation currently applied to GGSs and whole of governments through AASB 1049 should not be applied also to not-for-profit entities within the GGS. This is particularly so because such entities are within both the GGS and whole of government.

Board view 2: Scope of requirements: *should there be differential reporting between ‘big’ and ‘small’ entities within the GGS?*

Differential reporting issues should not be considered as part of this GAAP/GFS harmonisation project. The Board should consider as part of its separate Differential Reporting Project whether it is appropriate that certain not-for-profit entities within the GGS be relieved from the full effect of GAAP/GFS harmonisation and, if so, what those entities should do instead.

Board view 3: Scope of requirements: *should GAAP/GFS harmonisation be imposed on for-profit entities within the GGS?*

Harmonisation should only be applied to not-for-profit entities within the GGS because for-profit entities generally cannot avail themselves of non-IFRS treatments in Australian Accounting Standards and they should not be required to apply GAAP/GFS harmonisation principles as well, as this would lead to two sets of financial statements. The Board noted the argument that requiring for-profit entities to apply GAAP/GFS harmonisation principles would help facilitate consolidation, but considered that consolidation processes could be facilitated without requiring for-profit entities to adopt GAAP/GFS harmonisation in their financial statements. The Board also noted that an argument in support of requiring for-profit entities to adopt GAAP/GFS harmonisation – namely that it is consistent with the harmonisation requirements for whole of governments and GGSs, is not valid. This is because whole of governments and GGSs are not-for-profit entities (even though they consolidate some for-profit entities).

Board view 4: Technical issues: *accounting for controlled entities - controlled PNFC/PFC sector entities.*

Consistent with the treatment required of the whole of government under AASB 1049, not-for-profit entities within the GGS should be required to consolidate, on a line-by-line basis, all controlled entities, including those in the PNFC and PFC sectors. In addition, they should be required to separately present ‘sector’ financial statements whereby the entity within the GGS does

not consolidate its controlled PNFC/PFC entities, rather they are shown as a single line 'investment' asset (measured at the carrying amount of the net assets of the controlled entities) and as separate column(s) in a sector note (see Board view 9 below). The Board noted that this approach provides relevant information within both the GAAP and GFS frameworks.

Board view 5: Technical issues: *accounting for controlled entities - controlled GGS entities.*

Where a parent entity report is prepared by a not-for-profit entity within the GGS it should be presented in the same format as the consolidated report, but it should measure investments in subsidiaries in accordance with AASB 127 *Consolidated and Separate Financial Statements*. The Board noted that GFS does not require parent entity reports and therefore GAAP requirements should apply to the measurement of investments in subsidiaries in those reports.

Board view 6: Technical issues: *are there any GAAP/GFS convergence differences that are unique to entities within the GGS that warrant separate attention?*

The Board noted that no additional convergence differences have been identified to date, and decided that convergence differences for not-for-profit entities within the GGS should be treated in the same way that AASB 1049 treats the same kind of differences for whole of governments and GGSs, i.e. GAAP should be applied and GFS treatment should be disclosed, together with a reconciliation and an explanation of the differing treatments.

Board view 7: Technical issues: *are there any financial statement presentation issues that are unique to entities within the GGS?*

A net cost of services format for the statement of comprehensive income should continue to be allowed for not-for-profit entities within the GGS. The Board noted that this format is relevant to some jurisdictions. The Board also noted that work is needed to see if the format can be accommodated within the current harmonised statements and, if not, what needs to be done in order to accommodate it (see also Board view 17).

GFS key fiscal aggregates should be included in the proposed financial statements for not-for-profit entities within the GGS in accordance with the current approach in AASB 1049. The Board noted the view expressed by some that GFS key fiscal aggregates are not relevant at the individual entity level within the GGS, and that terminology associated with such aggregates may not be meaningful – for example, given that departments are prohibited from borrowing, it may not be meaningful to have them present a key fiscal aggregate titled 'net lending/borrowing'. In response to this issue, the Board decided that the ED should specifically ask constituents for their views on GFS key fiscal aggregates relating to not-for-profit entities within the GGS.

Board view 8: Technical issues: *what information should be included in the notes? Summary of significant accounting policies and other explanatory notes.*

The 'summary of significant accounting policies' and 'other explanatory notes' disclosures in AASB 1049 that are applicable to not-for-profit entities within the GGS should be required.

Board view 9: Technical issues: *what information should be included in the notes? Sector information.*

Consistent with Board view 4 above, not-for-profit entities within the GGS should disclose sector-information that is analogous to the requirements for whole of government reporting currently in AASB 1049. [The Board noted the basic example illustrating what the note disclosure might look

like for a statement of financial position in Appendix A of Agenda paper 4.2 under the heading ‘whole of government approach’.] The Board noted the view held by some that such disclosures are not relevant for not-for-profit entities within the GGS. In response, the Board observed that to question the relevance of these disclosures could call into question the relevance of the entire harmonisation project for entities within the GGS. The Board decided that the ED should specifically ask constituents for their views on sector-like reporting for not-for-profit entities within the GGS.

Board view 10: Technical issues: *what information should be included in the notes? GFS functional classification.*

Consistent with AASB 1049, not-for-profit entities within the GGS should be required to disclose information about the recognised expenses, excluding losses, included in operating result and assets that are reliably attributable to broad functions determined to the ABS GFS Manual four-digit level of classification shown in Appendix 3 of that Manual (and reproduced in Agenda paper 4.5). The Board noted that the GFS functional classification is more ‘rules-based’ than the disaggregated disclosures required by AASB 1052 *Disaggregated Disclosures*, but has the benefit of encouraging greater consistency in functional classification across jurisdictions. The Board noted, however, that the classification scheme would not be useful in all cases – for example, for defence, the one to four digit levels of classification are all described as ‘defence’.

Board view 11: Technical issues: *what information should be included in the notes? AASB 1052 Disaggregated Disclosures.*

In light of Board view 10, the requirements in AASB 1052 *Disaggregated Disclosures* should no longer be mandatory for government departments. A subsequent Board review of AASB 1052 should consider what the appropriate segment-like reporting requirements should be for not-for-profit entities, having regard to Board view 10.

Board view 12: Technical issues: *how should we deal with administered items?*

The current accounting treatment for administered items under AASB 1050 *Administered Items* should continue to apply. The Board noted that the current requirements are not inconsistent with what the Board is contemplating for GAAP/GFS harmonisation requirements for not-for-profit entities within the GGS. Accordingly, the Board decided that when it undertakes its separate Administered Items Project, it should include consideration of GAAP/GFS harmonisation issues.

Board view 13: Technical issues: *budgetary information - should AASB 1049 requirements relating to disclosure of budgetary information be imposed on entities within the GGS?*

Not-for-profit entities within the GGS should be required to disclose budgetary information under the same circumstances and consistent with the same requirements as in AASB 1049 for whole of governments and GGSs.

Board view 14: Technical issues: *budgetary information - should the ‘compliance with appropriations’ disclosure requirements in AASB 1004 Contributions continue to apply?*

The AASB 1004 *Contributions* requirements for ‘compliance with appropriations’ disclosure should coexist with the GAAP/GFS harmonisation budgetary information disclosure requirements. The Board noted that although there is some overlap in the information content of the two sets of

requirements (AASB 1049 and AASB 1004), their focus is different. For example, at least in some jurisdictions, the disclosures made under AASB 1004 focus on the legal concept of appropriations and are cash based. The Board noted that, arguably, the requirements could be merged, but that could unduly delay the completion of the GAAP/GFS Harmonisation Project. The Board decided that, when instigated, the separate Compliance with Externally-Imposed Requirements Project should have regard to the GAAP/GFS harmonisation requirements.

Board view 15: Technical issues: *transitional requirements – elections previously made under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards.*

Consistent with the view taken in AASB 1049, not-for-profit entities within the GGS should be required (as per paragraph 66 of AASB 1049) to revisit the elections previously made under AASB 1 in order to facilitate GAAP/GFS harmonisation.

Board view 16: Amend AASB 1049 or create a new Standard?

For the purpose of the first draft of an ED, requirements for not-for-profit entities within the GGS should be incorporated into AASB 1049 rather than issued as a separate Standard as this is more consistent with the topic-based approach to writing Standards, an approach that the Board has agreed on previously. At this early stage, the Board notes that because many of its views recorded above are consistent with AASB 1049, much of AASB 1049 can be expressed generically.

Board view 17: Illustrative examples.

An illustrative example (using a net cost of services format for the statement of comprehensive income [see Board view 7]) should be provided with the ED or shortly after the ED is issued. The Board noted that the HOTARAC GFS/GAAP Harmonisation Working Group had informally offered assistance in developing this example, and agreed that staff should discuss this possibility further with the HOTARAC Working Group. The Board noted the significant demand on resources needed to develop an illustrative example and, therefore, decided that only a net cost of services format be illustrated, given that it is the preferred format and most likely to be used in practice.

Board view 18: Level of consultation.

There should be a high degree of consultation within the timeframe imposed by the FRC. This may need to include roundtables, but participants from not-for-profit entities within the GGS may need some preliminary education to be most effective. The Board noted that this education could potentially be provided by the HOTARAC GFS/GAAP Working Group.

Board view 19: Operative date.

There should be sufficient time before the proposed Standard becomes operative to allow for appropriate training, education and systems development to take place.

Board view 20: Legislative impediments.

Further input should be obtained from the HOTARAC GFS/GAAP Harmonisation Working Group on whether there are any legislative impediments to harmonisation for not-for-profit entities within the GGS and, if so, what the Board's response should be.

Proposed timeline:

The Board considered a timeline for the project and noted the plan to issue an ED early in 2009 and a Standard early in 2010. The Board asked staff to consider options for shortening the ED development phase, particularly between August and November 2008. The Board noted that the timetable had been developed before staff became aware that the HOTARAC Working Group may be able to lead the development of the illustrative example at the same time that staff are developing the body, preface and basis for conclusions.