



**Subject:** Minutes of the 88<sup>th</sup> meeting of the AASB  
**Venue:** Ken Spencer Room, AASB offices  
Level 7, 600 Bourke St, Melbourne  
**Time(s):** Wednesday 25 June 2008 from 9:00 a.m. to 5:30 p.m. and Thursday 26 June 2008  
from 8:30 a.m. to 3:40 p.m.

All agenda items except items 1, 2 and 17 were discussed in public.

## ATTENDANCE

Members            David Boymal (Chairman)  
                      Sue Highland  
                      Mark Jenkin  
                      Colin Parker (except 12:30 p.m. – 2:15 p.m. Day 1)  
                      Jan McCahey (except 12:30 p.m. – 2:00 p.m. Day 1)  
                      John O'Grady  
                      Kris Peach  
                      Bruce Porter (from 12:30 p.m. Day 1)  
                      Joanna Perry  
                      Brett Rix  
                      Robert Williams

Apologies            Glenn Appleyard  
                      Frank Palmer  
                      Peter Batten (IPSASB Member)  
                      Judith Downes (SAC Member)  
                      Warren McGregor (IASB Member)

Staff                 Clark Anstis (in part)  
                      Dean Arden (in part)  
                      Aletta Boshoff (in part)  
                      Christina Habal (in part)  
                      Ahmad Hamidi (in part)  
                      Geoff Harris  
                      Rutendo Kaviya (in part)  
                      Robert Keys  
                      Jim Paul (in part)  
                      Angus Thomson  
                      Joanna Spencer (in part)  
                      Raymond Yu (in part)

## **APOLOGIES, AGENDA, MINUTES AND MATTERS ARISING FROM MINUTES**

Agenda item 1

### **Membership**

Members welcomed Robert Williams, Principal Advisor, NSW Treasury, to his first meeting as a member of the Board.

### **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.

### **Minutes**

The Board confirmed the minutes of the 87th meeting held on 21-22 May 2008.

## **CHAIRMAN'S REPORT**

Agenda item 2

The Chairman informed members that legislation giving effect to the AASB becoming a *Financial Management and Accountability Act 1997* agency from 1 July 2008 has passed both Houses of Parliament and is awaiting Royal Assent. Members noted that while there would be significant changes in administrative arrangements and relationships, including that with the Financial Reporting Council, the standard setting role of the Board would not change. The Chairman undertook to provide members with a copy of the relevant legislation and a summary of its requirements.

Action:

Chairman

## **SUPERANNUATION PLANS AND APPROVED DEPOSIT FUNDS**

Agenda item 3

The Board had before it:

- (a) a memorandum from Dean Ardern dated 17 June 2008 (Agenda paper 3.1);
- (b) an issues paper: Overall approach to disclosures (Agenda paper 3.2);
- (c) an issues paper: Implications of investment choice and applying disclosure principles of AASB 8 *Segments* (Agenda paper 3.3);
- (d) an issues paper: Disclosure principles – Assets (Agenda paper 3.4);
- (e) an issues paper: Disclosure principles – Expenses and accrued benefits (Agenda paper 3.5);
- (f) an issues paper: Application of AASB 124 *Related Party Disclosures* (Agenda paper 3.6);  
and

- (g) an issues paper: Definition of accrued benefits (Agenda paper 3.7).

The Board considered Agenda Papers 3.2 – 3.4 and tentatively agreed that:

- (a) the requirements in AASB 7 *Financial Instruments: Disclosures* should be used as a basis for developing principles that would facilitate the disclosure of information in relation to the risks associated with both the financial and non-financial assets of a superannuation plan or ADF. The Board noted, however, that the benefits derived from a superannuation plan or ADF applying all of the requirements in AASB 7 may not exceed the costs of providing such information. Accordingly, the Board agreed that staff should develop a set of principles based on the requirements in AASB 7 that would facilitate consistent disclosures that users would regard as essential for decision making in a superannuation context;
- (b) a superannuation plan or ADF that does not have any subsidiaries should apply the disclosure principles based on AASB 7 to items in its separate financial statements;
- (c) a superannuation plan or ADF that has a subsidiary should apply the disclosure principles based on AASB 7 to items in its consolidated financial statements. In addition, the Board noted that a subsidiary of a superannuation plan or ADF may expose its parent entity to business risks, although in some cases these risks may not be material in the context of all of the risks to which:
- (i) the subsidiary exposes its parent entity; and/or
  - (ii) the parent entity is exposed.

Accordingly, the Board agreed that the ED should include application guidance explaining the criteria that preparers should use to evaluate whether to disclose information about risks, particularly business-related risks;

- (d) a superannuation plan or ADF that has a subsidiary should not be required to present parent entity financial statements in addition to its consolidated financial statements. In addition, the Board agreed to give further consideration to the parent entity information that should be disclosed in the consolidated financial statements; and
- (e) the principles underlying the requirements in AASB 8 should be used as a basis for developing a set of principles that would facilitate the disclosure of information about:
- (i) how the trustee of a superannuation plan or ADF manages the entity's assets for the purposes of evaluating performance and allocating resources; and
  - (ii) the financial performance of each group of assets identified by the trustee for these purposes.

The Board considered Agenda paper 3.5 and tentatively agreed that a superannuation plan or ADF should disclose information that provides users with a basis for understanding:

- (a) the nature and amount of expense items incurred by the entity should be separately classified in a manner appropriate to meet the needs of the users in a superannuation context. In

addition, the Board agreed that the ED should include application guidance that identifies the expense items that users would typically regard as relevant to their needs, including administration expenses, investment expenses, trustee fees and commissions paid directly by the entity. However, the application guidance should also note that the disclosures a superannuation plan or ADF should make in relation to its expense items should not necessarily be limited to the classifications identified in the application guidance;

- (b) the nature of the entity and the benefits it provides to its members and beneficiaries;
- (c) the entity's liability for accrued benefits. In addition, the Board agreed to give further consideration to the information needed by users to understand the impact of changes in the assumptions used to measure the accrued benefits of defined benefit members on the measured amount. To this end, the Board directed staff to consult with constituents, and particularly actuaries, regarding an appropriate way for a superannuation plan to disclose the sensitivity of defined benefit members' accrued benefits to changes in actuarial assumptions;
- (d) changes in members' and beneficiaries' accrued benefits during the reporting period; and
- (e) any surplus or deficiency in the assets attributable to members and beneficiaries compared with the members' and beneficiaries' accrued benefits.

In addition, the Board acknowledged that a superannuation plan should disclose information that provides users with a basis for understanding the relationship between the assets and accrued benefits of different groups of defined benefit members and/or beneficiaries. However, the Board agreed that the risks associated with a plan holding the benefits of two or more distinct groups of defined benefit members and/or beneficiaries are predominantly related to the assets attributable to such members and beneficiaries. Accordingly, the disclosure principles that the Board directed staff to develop from the requirements in AASB 7 should also facilitate the disclosure of information in relation to the risks associated with a plan managing assets on behalf of two or more distinct groups of defined benefit members and/or beneficiaries.

The Board considered Agenda paper 3.6 and tentatively agreed that the requirements in AASB 124 *Related Party Disclosures* should apply, when appropriate, to a superannuation plan or ADF. In particular, the Board agreed that superannuation plans and ADFs should disclose;

- (a) the individual trustees or trustee directors and any other key management personnel;
- (b) information about remuneration of key management personnel associated with governing the plan or ADF;
- (c) information needed by users to understand the nature of the entity's relationship with its employer sponsor (or sponsors); and
- (d) information needed by users to understand:
  - (i) the nature of the entity's relationship with its trustee; and

- (ii) any transactions between the entity and its trustee or an employer sponsor that would not be considered 'normal' transactions in a superannuation context.

The Board considered Agenda paper 3.7 and tentatively agreed:

- (a) that accrued benefits should be defined broadly to cover both defined contribution and defined benefit arrangements; and
- (b) to propose that accrued benefits be defined as the present obligation for benefits that members and beneficiaries are entitled to receive in the future as a result of membership of the superannuation plan or ADF up to the reporting date.

The Board also agreed that the ED should emphasise that, consistent with the proposed measurement method for accrued benefits agreed to by the Board at its February and April 2008 meetings, the accrued benefits of defined benefit members should be measured on a prospective basis rather than on the basis of the amount members would be paid if they exited the plan at the reporting date.

The Board noted that staff intend to present a first draft ED to the Board's August 2008 meeting. The Board also noted that staff intend to use the August 2008 meeting to deal with a number of 'sweep' issues that relate to past Board decisions or second order issues not yet addressed by the Board in relation to its comprehensive review of *AAS 25 Financial Reporting by Superannuation Plans*.

Action:

Staff

## **SOCIAL BENEFITS**

Agenda item 4

The Board had before it:

- (a) a memorandum from Christina Habal dated 11 June 2008 in relation to the social benefits project (Agenda paper 4.1);
- (b) a draft covering letter to the draft AASB submission to the IPSASB in relation to the social benefits project (Agenda paper 4.2);
- (c) a draft AASB submission to the IPSASB in relation to the social benefits project (Agenda paper 4.3);
- (d) *AASB ITC 15 Request for Comment on IPSASB Exposure Draft ED 34 Social Benefits: Disclosure of Cash Transfers to Individuals or Households and IPSASB Consultation Paper Social Benefits: Issues in Recognition and Measurement* (Agenda paper 4.4);
- (e) *IPSASB Project Brief Long-Term Fiscal Sustainability Reporting* (Agenda paper 4.5); and
- (f) submissions received in relation to AASB ITC 15 (Agenda paper 4.5).

The Board discussed the draft submission to the IPSASB in relation to the social benefits project, including issues in relation to the nature of the liability under a social benefits program and agreed that the social benefits project raises many conceptual issues.

The Board decided to comment that:

- (a) the project should only be progressed in conjunction with the development of a conceptual framework for the public sector;
- (b) it does not agree with the notion that a government does not have a liability because it has discretion over future legislation and agreed that in determining a liability, current legislation should be assumed to remain in place. The Board noted that the liability could be considered to be conditional upon future events, such as someone becoming eligible for a cash transfer. The Board agreed it would be difficult to try and assess what the stand ready obligation might be based on applying the proposed changes to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*;
- (c) it does not support the IPSASB's proposals in ED 34 and that disclosing an amount, which does not represent a liability, could be misleading, and doubts the value of disclosing qualitative information about the social benefits programs in place;
- (d) the IPSASB should progress a project to consider long-term fiscal sustainability reporting which would provide useful information to users by providing information about both future cash outflows and future cash inflows; and
- (e) an interim solution for the IPSASB (that would allow the IPSASB time to consider the conceptual issues in relation to the definition of a liability and an asset in the public sector and the application of those definitions to social benefits programs) without significantly slowing progress on the project) is to recognise and disclose all amounts due and payable under social benefits programs and to produce a separate long-term fiscal sustainability report.

Mr Jenkin and Ms Peach agreed to liaise with staff in finalising the Board's submission to the IPSASB.

Action:

Staff  
Mr Jenkin  
Ms Peach

## **SERVICE CONCESSION ARRANGEMENTS – GRANTORS**

Agenda item 5

The Board had before it:

- (a) a memorandum from Clark Anstis and Rutendo Kaviya dated 17 June 2008 (Agenda paper 5.1);

- (b) a copy of a Powerpoint presentation on proposals in the IPSASB Consultation Paper (Agenda paper 5.2); and
- (c) Invitation to Comment ITC 16 *Request for Comment on IPSASB Consultation Paper Accounting and Financial Reporting for Service Concession Arrangements* (Agenda paper 5.3).

The Board received a presentation from Ms Kaviya outlining the principal proposals in the IPSASB Consultation Paper *Accounting and Financial Reporting for Service Concession Arrangements*, which is the subject of the AASB's ITC 16. The Board noted that the central issue in the Consultation Paper is determining whether the grantor or the operator should recognise the infrastructure (or property) underlying a service concession arrangement, based on whether the criteria for control by the grantor are satisfied. In particular, that there are some obvious and some subtle differences between the proposed criteria and the control criteria in AASB Interpretation 12 concerning:

- (a) whether a grantor "controls or regulates" the operator's use of the property; and
- (b) whether the grantor controls "the" [IPSASB] or "any significant" [Interpretation 12] residual interest in the property at the end of the arrangement.

The Board:

- (a) noted that the differences between the two sets of grantor control criteria could lead to asymmetrical accounting as between grantors and operators;
- (b) discussed recognition and measurement issues in general terms, including a components approach under which both grantor and operator would recognise their respective interests in relation to the property underlying an arrangement; and
- (c) expressed a range of views on the potential suitability of the IPSASB proposals.

No conclusions were reached or decisions made.

Submissions received in response to ITC 16 will be considered by the Board at its next meeting.

Action:

Staff

## **COST OF AN INVESTMENT SUBSIDIARY, JOINTLY CONTROLLED ENTITY OR ASSOCIATE**

Agenda item 6

The Board had before it:

- (a) a memorandum from Natalie Batsakis and Geoff Harris dated 18 June 2008 (Agenda paper 6.1);
- (b) International Financial Reporting Standard *Amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (Agenda paper 6.2); and



- (c) draft AASB 2008-C *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (Agenda paper 6.3).

The Board:

- (a) questioned the practice of substituting ‘annual reporting periods’ for ‘reporting periods’ when adopting IASB Standards and was informed that this would be reviewed when a Standard dealing with application and interpretation is discussed;
- (b) indicated that the Preface should be expanded to provide more information about the main requirements of the Standard and agreed the content of the additional text;
- (c) noted that there is uncertainty about what the IASB means by the term ‘prospective’ in relation to the application of Standards and agreed that clarification should be sought;’ and
- (d) agreed to vote on making AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* out-of-session.

Action:

Staff

## CONCEPTUAL FRAMEWORK

Agenda item 7

The Board had before it:

- (a) a memorandum from Jim Paul dated 20 June 2008 (Agenda paper 7.1);
- (b) a draft AASB Preface to the IASB’s Conceptual Framework Exposure Draft named in (c) below (Agenda paper 7.2); and
- (c) IASB Exposure Draft *An improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics and Constraints of Decision-useful Financial Reporting Information* (Agenda paper 7.3).

The Board approved the AASB Preface to the IASB ED, subject to the following amendments:

- (a) in the section headed “Implications for not-for-profit entities”, the reference in the second paragraph to the not-for-profit monitoring group’s report being published on the AASB website should be replaced with a comment that the group is planning to issue a report. The remainder of that paragraph (which encouraged constituents to consider the group’s report) should be omitted. When the report is issued by the monitoring group, it should be placed on the AASB website and highlighted in the next *Action Alert*; and
- (b) including an extract from the IASB Work Plan as at 30 June 2008 setting out the phases of the IASB-FASB Conceptual Framework project and estimated publication dates for documents relating to those phases.

In relation to its Preface, the Board also confirmed:

- (a) its preliminary view that, if the IASB proceeds with its plan to replace relevant parts of the existing IASB *Framework* when work on the Objective and Qualitative Characteristics is



completed, before it considers the applicability of the replacement parts to entities other than business entities in the private sector, the Board will consider whether, as an interim measure:

- (i) those amendments to the Australian *Framework* should apply only to Australian for-profit entities; and
  - (ii) the affected parts of the existing Australian *Framework* should be retained for not-for-profit entities;
- (b) the description of the main features of the ED and the wording of the specific matter for comment; and
  - (c) the deadline for comments by Australian constituents should be 25 August 2008. (Comments to the IASB are due by 29 September 2008.)

The Board also decided that:

- (a) the ED should be released on its website only;
- (b) it would not hold roundtables in relation to the ED; and
- (c) the agenda papers supporting the draft AASB submission on the ED should include a diagram depicting the relationship between the 'fundamental' and 'enhancing' qualitative characteristics proposed by the IASB.

Action:

Chairman  
Staff

## **IASB DISCUSSION PAPER ON REPORTING ENTITY CONCEPT**

Agenda item 8

The Board had before it:

- (a) a memorandum from Ahmad Hamidi dated 17 June 2008 (Agenda paper 8.1);
- (b) a draft AASB Preface to the IASB's Conceptual Framework Discussion Paper named in (c) below (Agenda paper 8.2); and
- (c) IASB Discussion Paper *Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Reporting Entity* (Agenda paper 8.3).

The Board approved the AASB Preface to the IASB DP, subject to the following amendments:

- (a) material summarising SAC 1 *Definition of the reporting entity* should be reduced and placed in a separate section to highlight that, unlike SAC 1, the IASB DP is not concerned with the use of the reporting entity concept for differential reporting purposes, and it should be explicitly noted that this is the main difference between SAC 1 and the IASB Discussion Paper;

- (b) in the section headed “Implications for not-for-profit entities”, it should be noted that the not-for-profit monitoring group is preparing a report on the DP, which will be published on the AASB website once it is issued by the group and its publication will be highlighted in the next *Action Alert*;
- (c) the Preface should note that, if the IASB proceeds with its plan to replace relevant parts of the existing IASB *Framework* when work on the Reporting Entity is completed, and before it considers the applicability of the replacement parts to entities other than business entities in the private sector, the AASB will consider whether, as an interim measure:
  - (iii) those amendments to the Australian *Framework* should apply only to Australian for-profit entities; and
  - (iv) the affected parts of the existing Australian *Framework* should be retained for not-for-profit entities;

The AASB also decided that:

- (a) the Preface and the DP should be released on its website only; and
- (b) to hold roundtables in relation to the DP.

The AASB confirmed that:

- (a) the Preface should include an extract from the IASB Work Plan as at 30 June 2008 setting out the phases of the IASB-FASB Conceptual Framework project and estimated publication dates for documents relating to those phases;
- (b) the Preface need not include a summary of the main features of the DP as the DP provides a relatively comprehensive summary; and
- (c) the deadline for comments by Australian constituents should be 25 August 2008. (Comments to the IASB are due by 29 September 2008.)

Action:

Staff

## **IPSASB REPORT**

Agenda item 9

The Board received an oral report on the IPSASB’s June 2008 meeting. The IPSASB considered papers in relation to conceptual framework, borrowing costs, financial instruments, intangible assets, entity combinations and its approach to developing and issuing interpretations.

## **INCOME TAXES**

Agenda item 10

The Board had before it:

- (a) a memorandum from Glenn Brady and Robert Keys dated 10 June 2008 (Agenda paper 10.1);

- (b) a Powerpoint presentation “Short term convergence Income taxes” (Agenda paper 10.2 – tabled);
- (c) draft IAS 12 *Income Taxes* Core Principles (Agenda paper 10.3);
- (d) draft Introduction to IAS 12 (Agenda paper 10.4);
- (e) draft Application Guidance to IAS 12 (Agenda paper 10.5);
- (f) draft Basis for Conclusions to IAS 12 (Agenda paper 10.6);
- (g) draft Implementation Guidance to IAS 12 (Agenda paper 10.7); and
- (h) a compiled AASB 112 *Income Taxes* [incorporating relevant amendments made up to and including 30 April 2007] (Agenda paper 10.8).

Staff presented an educational session to the Board on the IASB/FASB’s short-term convergence project on Income Taxes.

The Board noted that:

- (a) many of the decisions the IASB has made to date would have significant implications for AASB 112;
- (b) some of the expected proposed changes to IAS 12 *Income Taxes* converge with US GAAP (in particular SFAS 109 *Accounting for Income Taxes*), which may give rise to particular issues in Australia given that the Australian tax regime differs from that in the US; and
- (c) the IASB’s proposals are expected to be issued in the form of an Exposure Draft in the fourth quarter of this year.

The Board decided that it should consider the implications of the proposals in an Australian context at a future meeting which would include consideration of:

- (a) the implications for the existing suite of AASB Interpretations that currently address accounting for income taxes issues;
- (b) the extent to which the proposals would overcome existing practice issues (for example, the current difficulties encountered in determining the tax base where it depends on the expected manner of recovery of an asset) or create practice issues (for example, if recovery of an asset through sale is presumed, and a sale is not possible);
- (c) the implications for not-for-profit entities; and
- (d) whether the proposed examples provided in the draft Implementation Guidance adequately illustrate the types of issues that are encountered in practice that give rise to the greatest debate about implementing the temporary difference approach.

The Board indicated that staff should consult with relevant constituents to obtain a wide perspective of the possible implications of the IASB's proposals in an Australian context and that the Board's consideration of these implications would be reflected in the Australian Preface that will accompany the AASB's release of the IASB ED.

Action:

Staff

## ANNUAL IMPROVEMENTS

Agenda item 11

The Board had before it:

- (a) a memorandum from Geoff Harris dated 18 June 2008 (Agenda paper 11.1);
- (b) draft Proposed Standard AASB 2008-X *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* (Agenda paper 11.2);
- (c) draft Proposed Standard AASB 2008-Z *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* (Agenda paper 11.3);
- (d) International Financial Reporting Standard *Improvements to IFRSs* (Agenda paper 11.4); and
- (e) *IFRS News* (PricewaterhouseCoopers) *Improvements to IFRSs* (May 2008) (Agenda paper 11.5).

In relation to process, the Board:

- (a) noted that the adoption of the amendments in *Improvements to IFRSs* (May 2008) highlights the shortcomings of the Board's existing approach to adopting amendments to IFRSs and expressed its concern about the process employed. Members considered that the present process is an inefficient use of resources and is potentially confusing for constituents, particularly in view of the frequency and number of amendments;
- (b) considered that alternatives to the present approach should be reviewed and directed staff to discuss the Board's concerns with the Office of Legislative Drafting, in particular, the feasibility of adopting the IASB approach under which the amendments are shown as mark-ups to the existing text;
- (c) directed staff to prepare a paper on alternative ways of adopting IFRSs into Australian Law for consideration at its August 2008 meeting. Ms McCahey, Mr O'Grady and Mr Parker agreed to assist staff in preparing the paper; and
- (d) agreed that the Chairman should raise the process issues involved at the forthcoming meeting of Trans-Tasman Accounting Standards and Auditing Advisory Group.

In relation to the proposed draft Standards, the Board:

- (a) discussed whether it is necessary to prepare two amending Standards to deal with the changes and decided to issue two Standards since the amendments have different operative dates – one

dealing with amendments effective from 1 January 2009 and one dealing with amendments effective from 1 July 2009;

- (b) noted that the insertion of early adoption requirements in respect of amendments to some Standards mean that the amendments to each Standard can be adopted separately from amendments to other Standards included in AASB 2008-X which is a different approach from that which normally applies in respect of amending Standards. Members agreed that this should be highlighted when the Standard is issued;
- (c) decided that the Preface should include a schedule based on that in the IASB Standard, setting out the amendments to the respective Standards; and
- (d) agreed to vote on making the Standards out of session.

Action:

Chairman  
Ms McCahey  
Mr O'Grady  
Mr Parker  
Staff

## **CRITERIA FOR MODIFYING IFRS REQUIREMENTS IN RESPECT OF NOT-FOR-PROFIT ENTITIES**

Agenda item 12

The Board had before it:

- (a) a memorandum from Angus Thomson dated 17 June 2008 (Agenda paper 12.1);
- (b) an issues paper: Criteria for assessing when to depart from IFRSs in respect of not-for-profit entities (Agenda paper 12.2); and
- (c) an update on New Zealand ASRB position on criteria for departing from IFRS in respect of PBEs (Agenda paper 12.3 – tabled).

The Board noted that:

- (a) in October 2007, the AASB and the FRSB agreed that staff of both Boards should jointly develop a paper on criteria that could be used as the basis for a joint policy for identifying when there is a not-for-profit/public benefit entity reason for modifying IFRS requirements;
- (b) the New Zealand ASRB is in the process of re-examining its own criteria in relation to the standards set by the FRSB;
- (c) although the Board has agreed to use its existing definition of not-for-profit entity in relation to the criteria, which is different from the FRSB's public benefit entity definition, this would only lead to different outcomes in limited circumstances; and

- (d) most Board members favour pursuing the development of the criteria, but that some members consider there is a need to develop a conceptual framework in respect of not-for profit entities that would then form the basis for developing standards in respect of not-for profit entities.

The Board considered the issues paper and provided staff with the following views to facilitate the AASB working with FRSB staff to prepare a joint paper for consideration at the July joint meeting of the Boards:

- (a) for the purposes of discussion, the high level principle identified by the ASRB should be employed in preparing the paper for the joint meeting, namely: “In most cases, the intended overall effect of modifying or introducing additional requirements for public benefit entities should be to reflect differences between the sectors, including differences in user information needs, that warrant a different accounting requirement or additional guidance for public benefit entities. Occasionally, it may also be appropriate to modify an IFRS requirement or introduce additional requirements for other reasons, for example, because of regulatory requirements”;
- (b) the suggestion that there be primary criteria that act as an initial filter before any consideration would be given to a set of secondary criteria should not be employed. In particular, the Board considered that the primary criteria identified (not-for-profit status; and non-exchange transactions or non-cash generating activities) might inappropriately prevent modifications to IFRS requirements in relation to presentation and disclosure matters;
- (c) the factors identified under the heading ‘Costs and benefits’ in the issues paper should probably be separately identified as criteria in their own right;
- (d) consideration should be given to identifying the IPSASB’s actions, other national standard setters’ actions and GAAP/GFS harmonisation as ‘triggers’ rather than criteria in making the assessment about whether to modify an IFRS requirement; and
- (e) the paper for the joint meeting should include questions for the Boards about:
- (i) whether there should be primary and secondary criteria;
  - (ii) whether the criteria should be ranked; and
  - (iii) whether some of the factors identified are ‘triggers’ and others are ‘criteria’.

Action:

Staff

## **GAAP/GFS ENTITIES WITHIN THE GGS SECTOR**

### Agenda item 13

The Board was informed that a letter expected from the Heads of Treasuries is being finalised and did not address this agenda item.

## INTERPRETATIONS

### Agenda item 14

The Board had before it:

- (a) a memorandum from Aletta Boshoff dated 18 June 2008 re Interpretations (Agenda paper 14.1);
- (b) a paper: Interpretations issues in progress (IFRIC and domestic topics) as at 14 May 2008 (Agenda paper 14.2);
- (c) a memorandum from Aletta Boshoff dated 18 June 2008 re IFRIC agenda decisions (Agenda paper 14.3);
- (d) *IFRIC Update* (May 2008) (Agenda paper 14.4);
- (e) a letter from David Boymal, AASB Chairman, to David Tweedie, IASB Chairman, dated 3 June 2008 re Key Management Personnel definition (Agenda paper 14.5);
- (f) a memorandum from Aletta Boshoff dated 18 June 2008 re Non-reporting Entities (Agenda paper 14.6);
- (g) draft Agenda Decision – Applicability of Standards to Non-reporting Entities (Agenda paper 14.7);
- (h) a memorandum from Aletta Boshoff dated 18 June 2008 re split investments (Agenda paper 14.8); and
- (i) Issue proposal sent to IFRIC – Split Investments in Associates in Consolidated Financial Statements (Agenda paper 14.9).

The Board:

- (a) reconsidered a draft agenda decision from May 2007 regarding the Applicability of Standards to non-reporting entities and decided to defer further action until the project on differential reporting is completed;
- (b) agreed to consider adding a project on split investments in associates to its work program with a low priority in the context of AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*; and
- (c) noted that the AASB needs to progress its project to undertake a second review of Australian Interpretations in the context of adoption of IFRSs.

Action:

Staff



## OTHER BUSINESS AND CORRESPONDENCE

Agenda item 15

The Board had before it:

- (a) a copy of a letter from ASIC to Australian Bankers' Association, dated 8 May 2008, re parent entity disclosures (Agenda paper 15.1);
- (b) a memorandum from Raymond Yu dated 18 June 2008 re AASB 5 *Non-current Assets Held for Sale and Discontinued Operations: Discontinued Operations and Additional Disclosures* (Agenda paper 15.2);
- (c) pre-ballot Exposure Draft of Proposed Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations: Discontinued Operations and Additional Disclosures* (Agenda paper 15.2.1);
- (d) a letter from Merran Kelsall, Chairman, AUASB, dated 12 June 2008 regarding GGS financial reports – implications for auditors (Agenda paper 15.3);
- (e) a draft reply from David Boymal, Chairman, AASB, dated 16 June 2008 (Agenda paper 15.3.1);
- (f) a letter from David Boymal, AASB Chairman, to David Tweedie, IASB Chairman, dated 13 June 2008, re IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Agenda paper 15.4).

The Board noted the correspondence.

## Discontinued Operations

The Board:

- (a) received an update on the IASB's proposals to amend IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations: Discontinued Operations and Additional Disclosures* by linking the definition of 'discontinued operations' to the definition of 'operating segment' in IFRS 8 *Operating Segments*, regardless of whether the entity in question is required to apply IFRS 8;
- (b) agreed to issue an Exposure Draft subsequent to the issue of the IASB ED;
- (c) noted that AASB 8 *Operating Segments* applies to entities with listed equity or debt instruments or that file, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market and agreed to inform constituents that an understanding of the principles of AASB 8 would be necessary when applying the proposed amendments even though the disclosure requirements of AASB 8 do not apply to the entity.

Action:

Staff

## Auditors' Reports

The Board considered the draft reply (agenda paper 15.3.1) and agreed that section 1, which addresses the form of the auditor's report, should focus only on the question asked by the AUASB Chairman. Accordingly, the Board noted that it is not necessary for the reply to address the general purpose financial report / special purpose financial report issue. It is sufficient to note that the relevant accounting framework for GGS financial reporting is specified in AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

The Board also agreed that it is appropriate for the reply to be expressed as the personal views of the AASB Chairman.

Action:

Chairman

## DIFFERENTIAL REPORTING /SMES

Agenda item 16

The Board had before it:

- (a) a memorandum from Ahmad Hamidi dated 17 June 2008 (Agenda paper 16.1); and
- (b) a staff paper: Differential Reporting Project: Board Decisions and Tentative Basis for Conclusions (Agenda paper 16.2).

The Board:

- (a) agreed that Agenda paper 16.2 accurately reflects its decisions to date and that the tentative preliminary basis for conclusions outlined in the paper accords with the Board's reasons and bases for arriving at those decisions;
- (b) discussed some of the decisions made at the IASB June 2008 meeting in regard to the proposed IFRS for Private Entities (formerly IFRS for SMEs), in particular, their implications for reporting by wholly-owned subsidiaries of publicly accountable entities and noted that any decisions in regard to reporting requirements for such entities in the Australian environment should await the outcome of the IASB's deliberations.

The Board agreed that agenda paper 16.2 should be presented to the July 2008 meeting for FRSB-AASB joint deliberations.

Action:

Staff

## REVIEW

Agenda item 17

The Board indicated that it found the education sessions on income taxes and service concession arrangements useful in helping to form their views on proposals and that similar sessions should be held on other IASB and IPSASB projects before those bodies issue exposure drafts.

## **CLOSE OF MEETING**

The Chairman closed the meeting at 3:40 p.m. on 26 June 2008.

## **APPROVAL**

Signed by the Acting Chairman as a correct record  
this 31st day of July 2008.