

EXTRACT FROM MINUTES: AASB 23-25 MAY 2007 MEETING

GAAP/GFS HARMONISATION

Agenda item 3

The Board had before it:

- (a) a memorandum from Robert Keys dated 10 May 2007 (Agenda paper 3.1);
- (b) Draft Exposure Draft ED XXX *Financial Reporting by Governments* (marked-up and shaded) (Agenda paper 3.2);
- (c) Draft Exposure Draft ED XXX (clean) (Agenda paper 3.3);
- (d) Issues paper: Transitional Requirements (Agenda paper 3.4);
- (e) Extracts from approved minutes of the February and March 2007 AASB meetings (Agenda paper 3.5);
- (f) A possible specific matter for comment relating to the fair value of property, plant and equipment held by PNFC sectors and PFC sectors (Tabled – Agenda paper 3.6); and
- (g) Draft Exposure Draft ED 155 *Financial Reporting by Whole of Governments* (marked-up for changes resulting from the page-by-page review of agenda paper 3.2 earlier in the meeting) (Tabled – Agenda paper 3.7).

The Board undertook a page-by-page review of the draft ED in agenda paper 3.2. Details of the specific decisions are provided in Attachment A.

The Board approved the agenda paper 3.2 draft ED for issue, subject to the processing of final changes as identified during the page-by-page review, editorial suggestions made by some Board members prior to the meeting, a staff review and final clearance through the Chairman. Accordingly the Board did not review tabled agenda paper 3.7. The amended draft ED is to be issued as ED 155 *Financial Reporting by Whole of Governments*.

The Board will consider an Illustrative Example of the whole of government financial statements and selected notes at a future meeting, after staff have sought input from the AASB Public Sector Subcommittee and the HoTARAC GAAP/GFS Harmonisation Illustrative Example Review Panel, with a view to subsequently issuing it for public comment.

Action:

Staff
AASB Public Sector
Subcommittee
Chairman

ATTACHMENT A

GAAP/GFS CONVERGENCE

DRAFT ED XXX (Agenda paper 3.2)

In undertaking a page-by-page review of draft ED XXX, in addition to minor editorial amendments, the Board decided that:

- (a) Page 1, title of ED – the name of the ED should be changed to *Financial Reporting by Whole of Governments* to ensure the title differs from the title of AAS 31 and thereby minimises potential confusion between this project and the work currently being undertaken in the short-term review of AAS 31 (see agenda item 7);
- (b) Page 9 of the Preface, under ‘Main Requirements’ paragraph (d) – it is not appropriate to raise a specific matter for comment on the suitability of imposing revaluations of property, plant and equipment held by PNFC and PFC sector entities (see tabled – agenda paper 3.6). The Board acknowledged the practicability concerns about the proposal for revaluations, but decided that the proposal is consistent with the requirements of AASB 1049 *Financial Reporting of General Government Sectors by Governments*, and makes a significant contribution to GAAP/GFS harmonisation;
- (c) Page 14 of the Preface, specific matter for comment (c), relating to the treatment of transactions with owners as owners – the matter should mention examples of such transactions, including those between the GGS as owner of PNFC and PFC sectors and between whole of government and minority interests of partly owned subsidiaries;
- (d) Page 18, paragraph 6, which specifies a requirement to comply with the Standard – this paragraph should be removed as it repeats the effect of paragraph 2;
- (e) Page 21, paragraph 14(e), relating to the optional treatment of investments in jointly controlled entities – the last sentence should be deleted as it is not consistent with the lead-in of paragraph 14 to contemplate alternative GFS treatments depending on the availability of market prices;
- (f) Page 21, paragraph 14 tail, relating to the option in AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* – should be trimmed substantially as it is excessively wordy and the point is adequately made in the 3rd and 2nd last sentences. Furthermore, the paragraph should be made a sub-paragraph of paragraph 14;
- (g) Page 22, paragraph 17(b), relating to the requirement to disclose information to assist in assessing the macro-economic impact of the government’s sectors – should be reworded to remove the excessive use of the word ‘sector’ and to make clearer that the reference to financial statements is to balance sheet, operating statement and cash flow statements and not the notes, by a cross-reference to the requirements of paragraph 51(b)(i);
- (h) Page 24, heading above paragraph 24 – the title ‘Components of a Financial Report’, should be changed to ‘Components of a Whole of Government Financial Report’, to better convey the message that the components of a whole of government financial report differ from the components of other financial reports;

- (i) Page 30, paragraph 43(e), relating to the treatment of minority interest under AASB 127 compared with the ABS GFS Manual – the wording should be amended to avoid the implication that all minority interests are classified as equity;
- (j) Page 32, paragraph 45A, relating to the disclosure of information about transactions with owners as owners – the paragraph can be deleted because it repeats some of the content of paragraph 25;
- (k) Page 35, paragraph 51A(c), relating to a reconciliation of sector information to whole of government information – paragraph 51A(c) should be more clearly expressed by making a cross reference to the Illustrative Example;
- (l) Page 35, paragraph 51B, relating to the preparation of sector information on a ‘before elimination of intersector balances’ basis – because the Illustrative Example will show how GGS investment in PNFC and PFC sectors relates to the net assets of PNFC and PFC sectors and the consolidated amounts, it is not necessary to add to paragraph 51B a cross reference to paragraph 51C(d) with an explanation relating to net assets that, although eliminated on consolidation, are not intersector balances. Indeed, the Board decided that the last sentence of paragraph 51B should be deleted, thereby not expanding on the ‘before elimination of intersector balances’ notion in relation to GGS investments in PNFC and PFC sector entities and its relationship to consolidated amounts. In addition, members asked that when the Illustrative Example is provided to the Board for discussion, explanatory notes also be provided to assist understandability;
- (m) Page 38, paragraph 62A, relating to transition– after considering the issues paper on transitional requirements (agenda paper 3.4) it is not necessary to specify particular transitional requirements and therefore this paragraph should be retained; and
- (n) Page 47, paragraph BC14, relating to the relationship between the absence of traded shares and therefore fair value – is appropriate and should be retained.

Decisions made in other agenda items that affect the draft ED:

- (a) Page 19, paragraph 14(a), relating to borrowing costs – this paragraph should be deleted as a result of the Board’s deliberations on agenda item 5; and
- (b) Page 30, paragraph 43(c), to the extent it relates to inventories held for distribution – this paragraph should be amended to reflect the Board’s deliberations on agenda item 10.