



**Subject:** Minutes of the 97<sup>th</sup> meeting of the AASB  
**Venue:** Ken Spencer Room, AASB offices  
Level 7, 600 Bourke St, Melbourne  
**Time(s):** Wednesday 22 April 2009 from 8.30 a.m. to 4.40 p.m.

All agenda items except items 1, 2 and 12 were discussed in public.

## Attendance

Members	Bruce Porter (Acting Chairman) Victor Clarke Sue Highland Mark Jenkin Ian McPhee John O'Grady Kris Peach Joanna Perry Brett Rix Robert Williams
In attendance	Peter Batten (IPSASB member) Agenda item 6
Apologies	Glenn Appleyard Frank Palmer
Staff	Clark Anstis (in part) Dean Ardern (in part) Natalie Batsakis (in part) Maybelle Chia (in part) Geoff Harris Robert Keys (in part) Latif Oylan (in part) Chris Pang (in part) Jim Paul (in part) Joanna Spencer (in part) Angus Thomson

## Apologies, Agenda, Minutes, Matters Arising from Minutes 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.

### Minutes

The Board confirmed the minutes of the ninety-sixth meeting held on 4-5 March 2009.

## Chairman's Report

Agenda Item 2

The Chairman informed members of:

- (a) the discussion of issues at the National Standard Setters (NSS) meeting on April 8-9, 2009 and the discussions of the NSS Monitoring Group on its future activities and developments in the IASB conceptual framework project; and
- (b) the preparatory meeting of the Asian-Oceanian Standards Setters Group (AOSSG) that dealt with issues about its membership, meeting format and objectives. Members noted that the first meeting of the AOSSG is to be held in Kuala Lumpur in November 2009.

Action:

Acting Chairman

## Superannuation Plans and Approved Deposit Funds

Agenda item 3

The Board had before it:

- (a) a memorandum from Dean Ardern dated 15 April 2009 (Agenda Paper 3.1);
- (b) a 'worked' example: Defined Contribution Fund (Agenda Paper 3.2);
- (c) an amended version of the worked example: Defined Contribution Fund (Agenda Paper 3.2A – tabled);
- (d) a 'worked' example: Defined Benefit Fund (Agenda paper 3.3);
- (e) an amended version of the worked example: Defined Benefit Fund (Agenda paper 3.3A – tabled);
- (f) an issues paper: Treatment of Risk (Agenda paper 3.4); and
- (g) draft ED 16X Superannuation Plans and Approved Deposit Funds (Agenda paper 3.5).

The Board considered Agenda Paper 3.1 and decided that the related party disclosure principles and guidance in draft ED 16X should reflect the existing AASB 124 *Related Party Disclosures* and not be amended at this stage to reflect the proposed amendments in ED 170 *Relationships with the State – Proposed amendments to AASB 124*.

The Board considered Agenda Papers 3.2 and 3.2A and decided that the 'worked' example financial statements in Agenda Paper 3.2 should replace the example financial statements in Illustrative Example A of Appendix C in the draft ED, subject to the amendments described in Attachment A to these minutes. The

Board also decided that the journal entries and footnotes in Agenda Paper 3.2 should not be included in the ED.

The Board considered Agenda Papers 3.3 and 3.3A and decided that the worked example income statement, statement of changes in members' accrued benefits and statement of changes in equity in Agenda Paper 3.3 should replace the example financial statements in Illustrative Example B of Appendix C in the draft ED, subject to the amendments described in Attachment A to these minutes. The Board also decided that the journal entries and footnotes in Agenda Paper 3.3 should not be included in the ED.

The Board considered Agenda Paper 3.4 and confirmed that, consistent with the approaches applied under AASB 119 *Employee Benefits* for measuring the cash flows attributable to defined benefit obligations and AASB 1038 *Life Insurance Contracts* for measuring obligations arising from life insurance contracts, obligations for defined benefit members' accrued benefits should be measured on a 'best estimates' basis.

The Board considered Agenda Paper 3.5 and formally approved ED 179 *Superannuation Plans and Approved Deposit Funds* for issue, subject to the amendments described in Attachment A to these minutes. The Board decided that the amendments to the draft ED should be reviewed by at least one Board member. Ms Peach and Mr Clarke agreed to review the amendments to the Appendices to the ED prior to it being released for public comment. The Board also decided to have a four-month comment period from the date of issuing the ED.

Action: Acting Chairman  
Mr Clarke  
Ms Peach  
Staff

## Presentation of Financial Statements

Agenda item 4

The Board had before it:

- (a) a memorandum from Latif Oylan dated 14 April 2009 (Agenda paper 4.1);
- (b) AASB Draft Submission on the IASB Discussion Paper *Preliminary Views on Financial Statement Presentation* (Agenda paper 4.2);
- (c) Submissions on AASB ITC 19 Invitation to Comment on the IASB Discussion Paper (Agenda paper 4.3): and
- (d) AASB staff paper on public sector/not-for-profit issues (Agenda paper 4.4).

The Board noted that staff had not had sufficient time to prepare a separate written report on the outcome of the Roundtables held on the topic for consideration by the Board at this meeting (except for Agenda paper 4.4 relating to public sector/not-for-profit issues), noting that the draft submission incorporates comments from Roundtable participants.

The Board reviewed the draft submission (Agenda paper 4.2) and decided that it should be amended to draw out more explicitly the Board's concerns about the proposals, particularly those relating to the inconsistent way in which the management approach is proposed to be applied, the lack of a clear connection between the proposals and users' needs, and the extent of the proposed disclosures. More specific decisions made by the Board are shown in Attachment B.

Subject to the submission being amended to reflect the Board's decisions and subsequent out-of-session review comments by Mr O'Grady and Mr Rix, and final review by the Acting Chairman, the Board agreed the submission should be finalised and sent to the IASB before the extended comment date of 30 April 2009.

Action: Acting Chairman  
Mr O'Grady  
Mr Rix

Staff

## Income from Non-Exchange Transactions

Agenda item 5

The Board had before it:

- (a) a memorandum from Clark Anstis dated 16 April 2009 (Agenda paper 5.1);
- (b) a draft ED *Income from Non-exchange Transaction (Taxes and Transfers)* marked up from the March 2009 version (Agenda paper 5.2);
- (c) an Issues Paper – Financial Instruments (Agenda paper 5.3);
- (d) AASB and FRSB joint letter to IPSASB, dated 3 April 2009) regarding several examples in IPSAS 23 (Agenda paper 5.4); and
- (e) AASB letter to the IFAC dated 3 April 2009, requesting copyright permission concerning the publication of an adaptation of IPSAS 23 (Agenda paper 5.5).

The Board decided that:

- (a) the scope of the ED should not exclude leases and insurance contracts;
- (b) the ED should propose that the resulting Standard should take precedence over AASB 139 *Financial Instruments: Recognition and Measurement* in relation to the recognition of financial assets and financial liabilities arising under non-exchange transactions, and thus paragraph 25 concerning deferred recognition of a liability for a conditional return obligation should remain in the ED. However, the AASB decided that the measurement of financial assets and financial liabilities should be as specified in AASB 139 (except in respect of 'day 1' gains and losses), requiring measurement exceptions to be included in paragraphs 43 and 84 (for financial assets) and 58 and 59 (for financial liabilities). The Board decided that an example should be added to the draft Implementation Guidance, and to request comments on the issue in the Preface to the ED;
- (c) paragraph 81 concerning transfers that satisfy the definition of 'contribution by owners' not giving rise to income should be revised so that the wording is consistent with that definition;
- (d) paragraph 99 should state that the policy for recognising services in-kind as income and as an asset may be applied on a class-by-class basis;
- (e) in relation to the joint AASB/FRSB Basis for Conclusions on the ED:
  - (i) it should refer to the ED rather than the '[proposed] Standard', with paragraph BC5 concerning the prospective issue of final Standards deleted;
  - (ii) it should explain the Boards' decision to base the ED on IPSAS 23 rather than the IASB existing for-profit Standard for accounting for government grants (AASB 120), with reference to transaction neutrality issues; and
  - (iii) the NZ-specific paragraphs should be retained in the AASB's ED, with the jurisdiction-specific paragraphs placed at the end of the Basis for Conclusions;
- (f) consequential amendments should be proposed to Aus paragraphs for not-for-profit entities in AASB 102 *Inventories*, AASB 116 *Property, Plant and Equipment*, AASB 138 *Intangible Assets* and AASB 140 *Investment Property* to refer to acquisition through a non-exchange transaction rather than for no or nominal cost, with cost being measured at fair value. In respect of AASB 102, this would mean that such inventories would be measured at fair value on initial recognition instead of current replacement cost, to be consistent with the general asset measurement basis proposed in



- (b) in relation to for-profit public sector entities, that the expense option should not be reintroduced for such entities. The Board noted that the AASB's work program (Agenda paper 11.11.1) Table 3 (which lists 'Agenda decisions to be made') includes a reference to a possible future AASB project Consolidation of for-profit Entities into Not-for-Profit Groups. The Board agreed that this would be the appropriate context in which to address the concern raised by some HoTARAC members about not extending relief to for-profit public sector entities; and
- (c) in relation to not-for-profit private sector entities, that the expense option should not be reintroduced, given the interim nature of the Boards' decision for not-for-profit public sector entities and the lack of comment from not-for-profit private sector constituents.

The Board made AASB 2009-X (Agenda paper 6.5) and approved it for issue subject to:

- (a) making amendments to include, after references to other Standards, bracketed text identifying the version of the Standard being referred to only when necessary; and
- (b) subsequent final staff quality control checks and clearance through the Acting Chairman.

The Board also considered a draft response (Agenda paper 6.6.2) to a letter from Ms. Annette Davis (Agenda paper 6.6.1) in relation to the AASB's submission on ED 35 IPSAS 5 *Borrowing Costs* (Agenda paper 6.6.3). The Board directed staff to amend the draft response to:

- (a) reiterate the Board's view as reflected in the original submission (along the lines of the response by New Zealand's Financial Standards Reporting Board (FRSB));and
- (b) advise the International Public Sector Accounting Standards Board (IPSASB) of the AASB's decision relating to AASB 2009-X, and particularly note that it is an interim position.

The Board decided that the draft letter, amended for the above, should be finalised through the Acting Chairman out-of-session.

Action: Acting Chairman  
Staff

## Financial Instruments

Agenda item 7

The Board had before it:

- (a) a memorandum from Natalie Batsakis and Chris Pang, dated 14 April 2009 (Agenda paper 7.1);
- (b) draft AASB 2009-X *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments* (Agenda paper 7.2); and
- (c) draft AASB 2009-X *Amendments to Australian Accounting Standards – Embedded Derivatives* (Agenda paper 7.3).

The Board considered the two draft AASB Amending Standards, based on amendments which were issued by the IASB as follows:

- (a) the Board made AASB 2009-X *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments* noting that further consequential amendments to AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* in a similar manner to the amendments to AASB 4 *Insurance Contracts*; and
- (b) the Board made AASB 2009-X *Amendments to Australian Accounting Standards – Embedded Derivatives* which clarifies the appropriate treatment of embedded derivatives within a host contract

that is reclassified out of the 'fair value through profit or loss' category in accordance with the amendments made to AASB 139 in October 2008.

The Board was advised that one of the draft marked-up amending Standards ('Improving Disclosures') was provided to the staff of the Attorney-General's Department to consider the presentation of marked-up text in an amending standard and whether it would be suitable for Australian legislative purposes. The Board noted that the marked-up format is consistent with its decision to make fewer changes to the IASB amending text when presenting amending Standards and to increase the understandability of the amending Standards.

The Board noted the positive feedback received from staff of the Attorney General's Department confirming that the marked-up amending Standards are acceptable for Australian legislative purposes with the insertion in the Application section of a paragraph along the following lines:

"This Standard uses underlining, striking out and other typographical material to identify some of the amendments to the Standard, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material."

The Board made the two amending Standards subject to final staff quality control procedures and clearance by the Acting Chairman.

Action:

Acting Chairman  
Staff

## Corrections to Accounting Standards

Agenda item 8

This agenda item was deferred to the May 2009 AASB meeting.

## Interpretations

Agenda item 9

The Board had before it:

- (a) a memorandum from Joanna Spencer dated 6 April 2009 (Agenda paper 9.1);
- (b) a paper: Interpretation issues in progress (IFRIC and domestic topics as at 7 April 2009) (Agenda paper 9.2);
- (c) a memorandum from Joanna Spencer dated 16 April 2009 re IFRIC agenda decisions (Agenda paper 9.3);
- (d) IFRIC Update March 2009 (Agenda paper 9.3.1);
- (e) a memorandum from Joanna Spencer dated 15 April 2009 re superannuation contributions tax (Agenda paper 9.4);
- (f) submissions received on Proposed Interpretation 10XX *Australian Superannuation Contributions Tax on Defined Benefit Plans* (Agenda paper 9.4.1); and
- (g) Proposed Interpretation 10XX *Australian Superannuation Contributions Tax on Defined Benefit Plans* (Agenda paper 9.4.2).

*Tentative and Final IFRIC Agenda Decisions*

The Board reviewed the IFRIC's tentative and final agenda decisions and noted the helpful nature of the tentative agenda decision regarding IAS 12 *Income Taxes – Classification of tonnage taxes*.

## *Australian Superannuation Contributions Tax*

The Board:

- (a) considered the comment letters received from constituents on Proposed Interpretation 10XX as well as IASB observer notes that relates to taxes on pension costs which was discussed at the IASB's March 2009 meeting;
- (b) noted that the IASB has tentatively agreed to amend the definition of 'return on plan assets' so that it would refer to taxes that have not been included in the actuarial assumptions used to measure the defined benefit obligation. In view of this development, the Board decided not to issue an Interpretation at this stage but to await the outcome of the IASB's deliberations; and
- (c) agreed that the AASB staff should offer assistance to the IASB staff with background information on the types of taxes that could be included in the calculation of a defined benefit obligation.

Action:

Staff  
Acting Chairman

## **Revenue Recognition**

Agenda item 10

The Board had before it:

- (a) a memorandum from Jim Paul and Maybelle Chia dated 17 April 2009 (Agenda paper 10.1);
- (b) a staff note on a preliminary draft submission on IASB Discussion Paper *Preliminary Views on Revenue Recognition in Contracts with Customers* (Agenda paper 10.2); and
- (c) a copy of the preliminary draft submission (Agenda paper 10.3).

The Board received a brief verbal report on the Roundtables held on 31 March and 2 April 2009 in Melbourne and Sydney. It was advised that the main concerns raised by Roundtable participants were the Discussion Paper's (DP) differential guidance on goods and services provided, and the extent to which the DP emphasises physical delivery in identifying when control of goods transfers to customers. These aspects of the DP have important implications for revenue recognition in construction contracts and some other contracts.

The Board decided that:

- (a) in relation to Question 8 in the DP, its submission should express support for the proposal to recognise revenue in contracts with customers when the customer obtains control of promised assets, but should disagree with the extent to which the DP emphasises physical delivery in identifying when control of goods transfers to customers. The Board generally supported the AASB staff's proposals that:
  - (i) transfers of assets to customers that satisfy performance obligations (and thus give rise to revenue) should not be limited to transfers of goods or services;
  - (ii) in relation to revenue recognition in contracts to transfer promised goods to a customer, control of a promised good (or component thereof) should be identified as transferring to a customer when both of the following criteria are met:
    - (A) the reporting entity has performed work in creating or acquiring the promised good; and



- (B) the reporting entity is unconditionally entitled to compensation for the work performed (that is, the customer is unconditionally obligated to pay for the work performed by the reporting entity); and
- (iii) the principle in (ii) should also apply to recognition of revenue from rendering services to customers;
- (b) the staff should prepare an analysis of whether, instead of focusing on the customer's obligation to pay for work performed (as in (a)(ii)(B) above), the customer's rights to work in progress upon contract breakage should be the focus (consistent with the DP's customer-focused view of the execution of performance obligations);
- (c) in relation to Question 10 in the DP, its submission should express general support for initially measuring performance obligations at the transaction price, whilst noting that discontinuing current value measurement of performance obligations presently accounted for as provisions (e.g., warranty obligations) would be a backward step;
- (d) in relation to Question 11(b) in the DP, its submission should disagree with the proposal that contract origination costs should be recognised as expenses as they are incurred unless they qualify for recognition as an asset in accordance with other Standards. Failure to meet the criteria for recognising revenue initially should not necessarily lead to recognising related costs as expenses. If contract origination costs relate to the creation of an asset, they should be capitalised. The Board noted that contract origination costs may be regarded as costs of obtaining customer relationships, and that customer relationship intangible assets would be recognised by acquirers in business combinations under IFRS 3 *Business Combinations* (paragraph 13) but would not be recognised in other circumstances under IAS 38 *Intangible Assets* (paragraph 16). It noted that, if its view were reflected in a replacement Standard for IAS 18 *Revenue*, a consequential amendment to IAS 38 would be warranted for consistency; and
- (e) in relation to Question 13 in the DP, its submission should support the proposal that, if an entity does not sell a particular good or service separately, it should estimate the stand-alone selling price of that good or service to allocate the transaction price (and thus revenue) between its performance obligations. Additional guidance should be provided on how to estimate the stand-alone selling price of a good or service. The submission should recommend that such estimates be made by applying the fair value hierarchy developed in the IASB's Fair Value Measurements project, and should not propose assuming that each good or service not sold on a stand-alone basis generates the same margin over cost.

The other questions in the DP were not discussed by the Board.

The Board requested the staff to provide a report on its recent Roundtables as soon as possible after this meeting. The Board agreed to finalise its submission at its May meeting following consideration of comment letters from constituents and the report on the Roundtables.

Action:

Staff

## Other Business and Correspondence

Agenda item 11

The Board had before it:

- (a) AASB submission to the IASB dated 13 March 2009 re Related Party Disclosures (Agenda paper 11.1);
- (b) a submission on ED 171 *Consolidated Financial Statements* (Agenda paper 11.2);
- (c) AASB submission to the National Standard Setters dated 13 March 2009 re Intangible Assets (Agenda paper 11.3);

- (d) AASB submission to the IASCF dated 12 March 2009 re IASC Constitution Review (Agenda paper 11.4);
- (e) a copy of the Australian Government submission to the IASCF dated 19 March 2009 re IASC Constitution Review (Agenda paper 11.4.1);
- (f) a memorandum from Angus Thomson dated 30 March 2009 re Senate proceedings (Agenda paper 11.5)
- (g) a letter from John Lenders, MP, Treasurer, Victoria dated 6 March 2009 to Bruce Porter, AASB Acting Chairman, re AASB priorities and reply dated 18 March 2009 (Agenda paper 11.6);
- (h) AASB submission to IASB/FASB Financial Crisis Advisory Group dated 3 April 2009 (Agenda paper 11.7.1);
- (i) IASCF Trustees Press Release dated 2 April 2009 (Agenda paper 11.7.2);
- (j) AICD/FINSIA publication *Underlying Profit* and covering letter dated 10 March 2009 (Agenda paper 11.8);
- (k) a memorandum from Robert Keys and Chris Pang dated 7 April 2009 re ED 174 Illustrative Example (Agenda paper 11.9);
- (l) a letter from Don Challen, Chairman, HoTARAC, re ED 174 Illustrative Example (Agenda paper 11.9.1);
- (m) ED 174 Illustrative Example (HoTARAC) (Agenda paper 11.9.2);
- (n) ED 174 Illustrative Example (HoTARAC as modified by AASB staff) (Agenda paper 11.9.3);
- (o) *FRSB Alert* (March 2009) (Agenda paper 11.10);
- (p) a memorandum from Angus Thomson and Robert Keys dated 6 April 2009 re work program (Agenda paper 11.11);
- (q) AASB Work Program (April 2009) (Agenda paper 11.11.1);
- (r) AASB Public Sector Policy Paper (April 2009) (Agenda paper 11.11.1A);
- (s) AASB Pipeline document (April 2009) (Agenda paper 11.11.2);
- (t) AASB submission to the IASB dated 20 March 2009 re ED 10 *Consolidated Financial Statements* (Agenda paper 11.12)
- (u) AASB submission to IASB dated 5 March 2009 re ED 2009/01 (IFRIC 9 and IFRIC 16) (Agenda paper 11.13);
- (v) a letter from Joanna Perry, Chairman, FRSB dated 13 March 2009 to Bruce Porter, AASB Acting Chairman, re IAS 26 *Accounting and Reporting by Retirement Benefit Plans* (Agenda paper 11.14);
- (w) a memorandum from Raymond Yu dated 7 April 2009 re Discussion Paper *Leases* (Agenda paper 11.15);
- (x) AASB submission to IPSASB dated 3 April 2009 re IPSASB Conceptual Framework (Agenda paper 11.16);
- (y) a copy of Joint Accounting Bodies' submission on IASC Constitution Review (Agenda paper 11.17);

- (z) Preparatory Meeting of Asian-Oceanian Standards Setters Group – Communiqué (Agenda paper 11.18– tabled); and
- (aa) a letter from Bruce Porter, Acting Chairman, AASB, dated 20 April 2009 to David Tweedie, IASB Chairman, re fair value measurement guidance (Agenda paper 11.19– tabled).

Action:

Staff

## *Global Credit Crisis*

The Board discussed the manner of its participation and input to the responses by the IASB to issues arising from the global credit crisis and expressed concern about the pace at which issues are being addressed. The Board agreed that it should seek to keep abreast of developments as issues emerge and should have a standing agenda item to facilitate this.

## *GAAP/GFS Harmonisation*

The Board noted the correspondence from the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) on illustrative example and agreed that the Acting Chairman should write to HoTs to express the Board's appreciation for HoTARAC's contribution in developing the illustrative example.

## *Work Program*

The Board noted that the AASB Work Program including its Public Sector Policy Paper will be provided to the Financial Reporting Council.

## **Review**

Agenda item 12

The Board indicated that:

- (a) items included in Other Business which require action to be taken should be highlighted on the agenda; and
- (b) the outcome of discussions at Roundtables should be the subject of separate papers and may be in dot point format.

## **Close of Meeting**

The Chairman closed the meeting at 4:40 p.m. on 22 April 2009.

## **Approval**

Signed by the Acting Chairman as a correct record  
this twentieth day of May 2009.

## ATTACHMENT A

### Superannuation Plans and Approved Deposit Funds

Agenda item 3

The Board considered Agenda Paper 3.2 and decided to make the following amendments to the 'worked' example defined contribution superannuation plan financial statements:

- (a) increase the amount of net benefits allocated to members' accounts to reflect that the plan:
  - (i) allocated all of its investment income for the reporting period to members' accounts;
  - (ii) charged to members' accounts administration fees that were less than the corresponding administration expenses incurred by the plan during the period; and
  - (iii) charged to members' accounts investment fees that were less than the corresponding investment expenses incurred by the plan during the period;
- (b) delete the line items 'Transfers from members' accounts to administration reserve' and 'Allocations to members' accounts from investment reserve' from the statement of changes in members' accrued benefits;
- (c) amend the line item 'Net benefits allocated to members' accounts' in the statement of changes in members' vested benefits by:
  - (i) inserting 'comprising:' at the end of the line item; and
  - (ii) inserting additional line items under the line item 'Net benefits allocated to members' accounts' that explain how much of the amount comprises:
    - (A) net investment income allocated to members' accounts; and
    - (B) administration fees charged to members' accounts; and
- (d) amend the statement of changes in equity to reflect that:
  - (i) the plan made a loss for the period and part of the loss was transferred to the administration reserve and the remainder was transferred to the investment reserve during the period;
  - (ii) the amount of the loss transferred to the administration reserve was equal to the difference between the amount of administration expenses incurred by the plan during the period and the amount of administration fees charged to members' accounts during the period; and
  - (iii) the amount of the loss transferred to the investment reserve was equal to the difference between the amount of investment expenses incurred by the plan during the period and the amount of investment fees charged to members' accounts during the period.

The Board considered Agenda Paper 3.3 and decided to amend the 'worked' example statement of financial position for a defined benefit superannuation plan to include the following line items:

- (a) total liabilities excluding members' accrued benefits;
- (b) net assets available for members' accrued benefits; and

- (c) total net assets.

The Board considered draft ED 16X *Superannuation Plans and Approved Deposit Funds* (Agenda Paper 3.5) and decided to amend:

- (a) item (i)(iii) in the Comparison with AAS 25 *Financial Reporting by Superannuation Plans* section to clarify that the proposed discount rate applicable to obligations for defined benefit members' accrued benefits is different from the discount rate applicable under AAS 25 *Financial Reporting by Superannuation Plans*;
- (b) the Specific Matters for Comment section by:
- (i) amending item (n) to ask constituents whether information in relation to the components of a remeasurement change in defined benefit members' accrued benefits, particularly benefit cost, interest cost and actuarial gains or losses, provides useful information to users and, if so, how this information should be presented; and
  - (ii) deleting item (q);
- (c) paragraphs 29(c), BC99(a) and other relevant paragraphs to clarify that any goodwill recognised by a parent superannuation plan or parent approved deposit fund shall be presented in the statement of financial position at the reporting date;
- (d) paragraph 37 by replacing the full stop at the end of the second sentence with a comma and deleting the words 'This approach is' at the beginning of the third sentence;
- (e) paragraph AG25 in Appendix B and paragraph BC51(d) to clarify that a superannuation plan determines its obligation for defined benefit members' accrued benefits on the basis of assumptions that are the best estimates for the relevant variables at the reporting date;
- (f) paragraphs AG35 (e) and AG37 (g) by replacing the words 'investment income' with the word 'benefits';
- (g) paragraph AG41 by:
- (i) deleting the words 'subsequent to a subsidiary's acquisition by its parent, an asset or liability of a subsidiary would only be recognised if it meets the relevant recognition criteria in the applicable Australian Accounting Standard. For example,';
  - (ii) inserting the words 'or parent approved deposit fund' after the words 'a parent superannuation plan';
  - (iii) replacing the words 'a brand' with the words 'an intangible asset'; and
  - (iv) inserting the following sentence at the end of the paragraph: 'However, a parent plan or parent fund would separately recognise an intangible asset that was identifiable on the date of the subsidiary's acquisition and measure the intangible asset at its fair value less transaction costs at each reporting date';
- (h) paragraph AG73 by inserting the words 'key management personnel' before 'KMP' and insert brackets either side of 'KMP';

- (i) paragraph AG88 to clarify that a superannuation plan with defined benefit members would disclose, among other things, information in relation to:
  - (i) the actuarial assumptions used to measure such members' accrued benefits at the reporting date;
  - (ii) the actuarial assumptions used to measure such members' accrued benefits at the previous reporting date; and
  - (iii) how the assumptions used to measure defined benefit members' accrued benefits at the reporting date differ from the corresponding assumptions used to measure the obligation at the previous reporting date;
- (j) the headings to Illustrative Examples C and D in Appendix C to clarify that the examples are referring to the guidance in paragraph AG42(a)(ii)(A) and (B) of Appendix B of the draft ED;
- (k) paragraph BC61 by replacing the comma after the word 'premiums' with the word 'and' and deleting the words 'and commissions from reinsurers';
- (l) paragraph BC75 to be consistent with the amendments described in (b) (i) above;
- (m) paragraph BC96 by inserting the words 'and measure at fair value adjusted for transaction costs at each reporting date' after the word 'recognise' in the first sentence;
- (n) paragraph BC99 (b) (i) by deleting the words 'treatment of a 'gain on a bargain purchase'';
- (o) paragraph BC100 by deleting the words 'net assets' at the end of the paragraph; and
- (p) paragraph BC126 to clarify that the related party disclosure principles and requirements in the replacement Standard for AAS 25 will reflect the then status of AASB 124 *Related Party Disclosures*.

## ATTACHMENT B

### Presentation of Financial Statements

Agenda item 4

The Board decided that the draft submission in Agenda paper 4.2 should be amended as follows:

- (a) the covering letter should be amended to:
  - (i) further highlight the key concerns the Board has with the proposals;
  - (ii) include a specific comment that the project has the potential to help bridge the gap between the conceptual framework and the presentation of financial statements, in particular, by supporting a more useful presentation of the consequences of fair value measurements;
  - (iii) include a specific comment about the importance of the project addressing the 'recycling' issue (this comment should also be made in the context of question 15, which relates to the presentation of other comprehensive income);
  - (iv) move the comment about eXtensible Business Reporting Language (XBRL) to the 'other comments' section at the end of the submission;
  - (v) remove the comment about sector neutrality. However, a comment along those lines should be made in the context of selected questions, for example question 9 relating to defining the business section and the operating and investing categories; and
  - (vi) remove the comment about the priority of the project;
- (b) the response to question 1, which relates to the objectives of financial statement presentation, should be amended to:
  - (i) express concern that the Discussion Paper does not explicitly link the proposed objectives with the Conceptual Framework;
  - (ii) more explicitly note that, although the objectives may be broadly supportable in principle, the Board is concerned about the manner in which they are proposed to be implemented; and
  - (iii) not suggest that comparability be added as another objective;
- (c) the response to question 2, which relates to the separation of business activities from financing activities, should be amended to:
  - (i) emphasise that such a separation is not necessary for the statement of financial position;
  - (ii) the statement of financial position is not an appropriate starting point for cohesiveness across all statements, because it is likely to be inconsistent with the management approach; and
  - (iii) suggest that the IASB and FASB undertake further consultation with users (not just analysts) to better understand their needs. In that regard, the submission should not explicitly refer to 'underlying profit' as a concept that the Board believes would necessarily meet users' needs;
- (d) the response to question 3, which relates to the presentation of equity in a separate section, should be amended to:
  - (i) comment that equity and debt could be presented separately within a financing section;
  - (ii) note that presenting equity in a separate section is consistent with IAS 39 and users' needs; and

- (iii) acknowledge that resolution of the 'entity view' versus 'proprietary view' debate is dependent on fundamental conceptual issues that would be difficult to resolve in the current environment;
- (e) the response to question 5, relating to the management approach, should be amended to:
  - (i) separately respond to each part of the question;
  - (ii) more explicitly express the Board's support for the management approach in principle, but express strong concern that the principle has not been applied consistently throughout the Discussion Paper; and
  - (iii) include a comment about the Board's view (as reflected in response to question 1) about the implications of a change in classification;
- (f) the response to question 6, which relates to the statement of financial position, should be amended to:
  - (i) express the Board's view that the current format for presenting a statement of financial position is preferable to that proposed format, because users are most interested in liquidity and current/non-current information from a statement of financial position perspective; and
  - (ii) express the Board's view that if the Boards proceed with the proposals, the proposed information for the statement of financial position would best be disclosed in the notes;
- (g) the response to question 7, which relates to circumstances where an entity has more than one reportable segment, should be amended to:
  - (i) explicitly state that the Board disagrees with the proposal, because the Board disagrees with the proposal to classify the statement of financial position as proposed;
  - (ii) express the Board's view that, if the Boards proceed with the proposals, consistent with the management approach, entities should be able to classify the same kind of assets differently, depending on how they are used by an entity; and
  - (iii) make it clear that the Board disagrees with effectively extending the application of the principles in IFRS 8 *Operating Segments* to entities outside the scope of that standard, without further consideration of costs and benefits;
- (h) the response to question 9, which relates to the definitions of business section and operating and investing categories, should be amended to more explicitly disagree with the proposed split between the two categories, and include comments about the terms and definitions to support the argument that the split should not be required;
- (i) the response to question 10, which relates to the definitions of financing section and financing assets and financing liabilities categories, the comments should be strengthened to reflect the Board's concerns about the proposals;
- (j) the response to question 12, which relates to the treatment of cash equivalents, should be amended to:
  - (i) reflect the Board's view that cash equivalents should be treated in a manner consistent with the management approach; and



- (ii) encourage the Boards to review the definition of cash equivalents in the context of the global financial crisis;
- (k) the response to question 16, which relates to disaggregation by function and nature, should be amended to strengthen the comments made;
- (l) the response to question 19, which relates to the direct method of presenting cash flows, should be amended by incorporating a cross-reference to question 20, in relation to the costs of implementing a proposal relating to the direct method;
- (m) the response to question 23(a), which relates to the proposed reconciliation schedule, should be amended to strengthen the comments made;
- (n) the response to question 26, which relates to the presentation/disclosure of unusual or infrequent events or transactions, should be amended to:
  - (i) note the Board's view that the current requirements in IAS 1 are sufficient, and, although those requirements are awkward to apply on the face of financial statements, they result in sufficient information being provided in the notes;
  - (ii) note the Board's view that the principle underpinning the issue should be disclosure of information that assists users understand the financial statements, and that this can be achieved without there being a separate category of items; and
  - (iii) clarify that the reference to 'the information' in response to question 26(c) refers to the disclosure of information that helps users understand the financial statements; and
- (o) in the context of the response to question 27, which relates to the application of the proposed presentation model to non-public entities, a comment should be made that the Board thinks that the Boards should:
  - (i) clarify the process they will adopt for considering financial statement presentation issues for SMEs/private entities/non-publicly accountable entities; and
  - (ii) explain why the decisions the Boards will make in relation to the Discussion Paper would not be relevant to such entities.