



Subject: Minutes of the 109th meeting of the AASB
Venue: Ken Spencer Room, AASB offices
Level 7, 600 Bourke St, Melbourne
Time(s): Friday 25 June 2010 from 10:00 a.m. to 12:00 p.m.

All agenda items were discussed in public.

Attendance

Members Kevin Stevenson (Chairman)
Victor Clarke (via telephone)
Mark Jenkin (via telephone)
John O'Grady
Frank Palmer
Kris Peach
Bruce Porter
Robert Williams (via telephone)

Apologies Glenn Appleyard
Sue Highland
Ian McPhee
Joanna Perry
Brett Rix

In Attendance

Staff Ahmad Hamidi
Robert Keys
Lisa Panetta
Joanna Spencer
Angus Thomson

Staff from the NZ FRSB dialled into the meeting.

Differential Reporting

Agenda Item 1

The Board had before it:

- (a) a memorandum from Ahmad Hamidi and Lisa Panetta (Agenda paper 1.1);
- (b) draft Application Standard AASB 105X *Application of Tiers of Australian Accounting Standards* (Agenda paper 1.2);
- (c) draft Amending Standard AASB 2010-X *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (Agenda paper 1.3);

- (d) Insurance and Superannuation Standards: Staff Analysis of Disclosures under Australian Accounting Standards – Reduced Disclosure Requirements (Agenda paper 1.4);
- (e) AASB 134 *Interim Financial Reporting* – RDR consequences (Agenda paper 1.5);
- (f) Transition from SPFSs – Further Issues (Agenda paper 1.6);
- (g) Comparison of Income Tax Note Disclosure under Australian Accounting Standards and Australian Accounting Standards – Reduced Disclosure Requirements (Agenda paper 1.7); and
- (h) draft Regulation Impact Statement (Agenda paper 1.8).

The Board considered possible reductions in disclosure requirements of:

- (a) AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* for insurers that might not be publicly accountable, such as some captive insurers; and
- (b) AASB 25 *Financial Reporting by Superannuation Plans* for superannuation plans that might not be publicly accountable such as Small APRA Funds.

The Board decided to defer a decision on possible reductions in disclosure requirements of the above Standards pending the application of normal due process to disclosures in those Standards, including public exposure of proposed reductions. This is because ED 192 *Revised Differential Reporting Framework* did not include proposed reduced disclosures under AASB 4, AASB 1023, AASB 1038 and AAS 25. The Board, however, considered that life insurers are unlikely to be given relief from disclosures under AASB 1038, on the grounds that life insurance is of high public interest and comprehensive information on life insurance is needed by users of general purpose financial statements. The Board noted that if there are insurers or superannuation plans that fall within Tier 2, they will still receive relief from some disclosure requirements by virtue of the reduced disclosures in other Standards.

The Board decided that the following amendments should be made to the body of the draft Application Standard:

- (a) early application of the Application Standard (and related Amending Standard) should be for annual reporting periods that begin on or after 1 July 2009 but before 1 July 2013;
- (b) General Government Sector (GGS) financial statements would not be labelled as general purpose but would be subject to Tier 1 reporting requirements. The Application Standard should explicitly include GGSs as Tier 1 entities. The application paragraph of the Application Standard should explicitly require application to financial statements of GGSs prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*;
- (c) the Application Standard should state in a commentary paragraph that entities that apply Tier 2 requirements would not be able to state compliance with IFRSs;
- (d) entities that have applied the recognition and measurement requirements of all applicable Australian Accounting Standards in their most recent previous SPFSs should not apply AASB 1 on transition to Tier 2. However, they should apply AASB 1 on transition to Tier 1 because IFRS compliance as set out by the IASB requires application of requirements in AASB 1, including its disclosure requirements;
- (e) not-for-profit entities transitioning from Tier 2 to Tier 1 should not apply AASB 1 unless they want to state compliance with IFRSs. The Board noted that these entities may not be able to claim compliance with IFRSs if they apply the requirements of Aus paragraphs;
- (f) paragraphs 21 and 24 should be merged to show, and contrast, requirements for entities transitioning from special purpose financial statements (SPFSs) that have been prepared using the recognition and measurement requirements of applicable Australian Accounting Standards and those that have been prepared by applying those requirements selectively; and
- (g) Charts 2 and 3 in Appendix C of the Application Standard should be merged and be shown under the title 'Moving between Tiers'; and Chart 3 be deleted.

The Board decided that the following amendments should be made to the Basis for Conclusions in the draft Application Standard:

- (a) paragraph BC4 should not include the dollar amounts of thresholds under the Corporations Act as these may change over time;
- (b) an explanation should be included for the Board's decision to introduce a second Tier of reporting requirements that would lead to financial statements that are not IFRS compliant, consistent with the *IFRS for SMEs*;
- (c) an explanation should be included for the Board's decision to require GGSs to apply Tier 1 requirements;
- (d) an explanation should be included for the early adoption provisions including the earliest annual reporting period for which early adoption is allowed and the reason for the Board not requiring the application from date of issue of the Standards; and
- (e) an explanation should be included about the status of AASB 4, AASB 1023, AASB 1038 and AAS 25 in the two-Tier system of reporting.

The Board also decided that Tier 2 entities should be exempted from all the disclosure requirements of AASB 1 *First-time Adoption of Australian Accounting Standards* other than paragraphs 24(a)(i) and (ii).

Members were asked to provide staff with any comments of an editorial nature by Monday 28 June 2010.

The Board directed staff to proceed to the Ballot draft for voting out of session.

Action:	Staff
	Members

Close of Meeting

The Chairman closed the meeting at 12:00 p.m. on Friday 25 June 2010.

Approval

Signed by the Chairman as a correct record
this thirtieth day of July 2010.