



Subject: Minutes of the 110th meeting of the AASB, held jointly with the NZ FRSB

Venue: Ken Spencer Room, AASB offices
Level 7, 600 Bourke St, Melbourne

Time(s): Thursday 29 July 2010 from 9.00 a.m. to 2.40 p.m. (Joint meeting with NZ FRSB)
Friday 30 July 2010 from 8.30 a.m. to 4.00 p.m.

All agenda items except item 4 were discussed in public.

Attendance

Members	AASB Kevin Stevenson (Chairman) Glenn Appleyard (Day 1) Victor Clarke Sue Highland Ian McPhee John O'Grady Frank Palmer (except Day 2 from 1pm) Kris Peach (Day 2 via telephone) Joanna Perry (Day 2) Bruce Porter Brett Rix Robert Williams	FRSB (Day 1 via video conference) Joanna Perry (Chairman) Denise Hodgkins (Deputy Chairman) Kimberly Crook Dave Foster Karl Hickey Brent Manning (until 3pm NZ time) Angela Ryan Steve Todd Norman Wong (until 1pm NZ time)
Apologies	Mark Jenkin	
In Attendance		
Staff	Clark Anstis (in part) Dean Arden (in part) Mischa Ginns (in part) Robert Keys Christina Ng (in part) Emma O'Brien (in part) Latif Oylan (in part) Jim Paul (in part) Siva Sivanantham (in part) Joanna Spencer Angus Thomson	Sarah Bate (in part) Clive Brodie Patricia McBride Chris Neame (in part) Joanne Scott Vanessa Sealy-Fisher
Other	Judith Downes (IFRS Advisory Council member)(Agenda item 20 only)	Ken Warren (IPSASB Liaison member)

Apologies, Agenda, Minutes, Matters Arising from Minutes, Declaration of Interests and Chairman's Report

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.

Chairman's Report

The AASB Chairman advised AASB and FRSB members that:

- (a) Standards on the Reduced Disclosure Requirements had been made on 30 June 2010 and the compilation of affected Standards is in progress to facilitate early adoption;
- (b) submissions on the IASB's Exposure Drafts ED/2009/12 *Financial Instruments: Amortised Cost and Impairment* and ED/2010/4 *Fair Value Option for Financial Liabilities* had been made by the AASB and the Asian Oceanian Standard Setters Group (AOSSG); and
- (c) AASB member Ms Peach (on behalf of the AASB) and Chairman Mr Stevenson (on behalf of the AOSSG) had attended an IASB outreach session in Singapore which discussed current IASB projects on financial instruments.

The FRSB Chairman advised AASB and FRSB members on:

- (a) the proposed restructuring of standard-setting in New Zealand; and
- (b) that New Zealand is continuing to consider its differential reporting which included considering the approach adopted in Australia.

Emerging issues

Agenda Item 2

Income Tax

The Boards noted the decision at the July 2010 IASB meeting to propose inserting an exception into IAS 12 *Income Taxes* regarding the measurement of deferred tax arising on assets that are carried at fair value and the implications for jurisdictions such as New Zealand with no capital gains tax.

International Valuation Standards

The Boards had before them a memorandum from Angus Thomson dated 22 July 2010 (Agenda paper 2.1), regarding the International Valuation Standards Council's Exposure Draft *Proposed New International Valuation*, which is due for comment by 3 September 2010, and that the ED deals with a wide range of valuation issues of significance to financial reporting.

The Boards agreed that AASB staff would review the ED and prepare a paper, highlighting areas on which the Boards may wish to comment. This will probably need to be provided to members out-of-session, given the timing of the Boards' August/September meetings.

Action: AASB Staff

Key Management Personnel (KMP)

The Boards noted the joint letter from the Chairs requesting that the IASB address the issue of whether, in the context of investment entities, KMP as defined in IAS 24 *Related Party Disclosures* can include an entity and not only individuals. The Boards also noted that AASB staff are currently providing further information to IASB staff on the matter.

Action: AASB Staff

Mineral Resource Rent Tax (MRRT)

The Boards noted that the AASB may need to consider whether to update its Interpretation 1003 *Australian Petroleum Resource Rent Tax* in light of a possible MRRT in Australia.

Financial Instruments

Agenda Item 3

The Boards had before them:

- (a) a memorandum dated 14 July 2010 Financial Instruments Update from Christina Ng (Agenda paper 3.1);
- (b) Australian comment letters to ED 196 *Fair Value Option for Financial Liabilities* (Agenda paper 3.2); and
- (c) late Australian comment letters to ED189 *Financial Instruments: Amortised Cost and Impairment* (Agenda paper 3.3).

The Boards received an update on the progress of the IASB's financial instruments projects, dealing with hedge accounting, asset and liability offsetting, derecognition and financial instruments with characteristics of equity.

In addition, the Boards noted some aspects of the IASB staff analysis of comment letters on Exposure Drafts ED/2009/12 *Financial Instruments: Amortised Cost and Impairment* and ED/2010/4 *Fair Value Option for Financial Liabilities*, and the comment letters received from Australian constituents. The Boards also noted from the IASB staff analysis that:

- (a) it is asserted there was support for an expected loss model, but not necessarily the IASB's expected cash flow method as proposed in ED/2009/12, and that the Boards' views—not in favour of an expected loss model—are in the minority; and
- (b) there is support for ED/2010/4 to separately present in other comprehensive income a portion of changes in fair value relating to entities' own credit risk for financial liabilities designated at fair value. The AASB noted that its position—not in support of ED/2010/4 on the basis that the proposals would

potentially introduce a new measurement attribute and is not faithful to the concept of FVTPL—is in the minority. The Boards also noted the support for an accounting election not to apply the proposals if they would give rise to an accounting mismatch.

The Boards also noted that the IASB's Replacement of IAS 39 project that comprises classification and measurement (phase 1), impairment (phase 2), hedge accounting (phase 3), and a new project relating to asset and liability offsetting, is planned for completion by June 2011.

Planning for future activities

Agenda Item 4

The Boards had before them:

- (a) a memorandum from Angus Thomson and Patricia McBride dated 22 July 2010 (Agenda item 4.1); and
- (b) AASB and FRSB report on issues of strategic significance (Agenda item 4.2).

The Boards noted that the report, based on issues of strategic significance identified at the Boards' joint March 2010 meeting, is a work in progress, and that the aim of the report is to help the Boards determine their strategies.

The Boards raised a number of matters that should be addressed when formulating their plans:

- (a) the first sentence of paragraph 4.8 of the report effectively sets out the Boards' vision/mission (one set of high-quality standards internationally for all types of entities);
- (b) the matters outlined in paragraph 3.1 of the report are in the nature of strategies that could be used to achieve the vision/mission;
- (c) the Boards need to retain a capacity to analyse and assess proposals for new and revised IFRSs in order to:
 - (i) respond to IASB EDs;
 - (ii) respond to requests from the IASB on technical issues; and
 - (iii) adequately fulfil their roles as takers of IFRSs;
- (d) the Boards need to retain a standard making capacity in order to:
 - (i) in the medium term at least, deal with public benefit/not-for-profit entity and other domestic issues; and
 - (ii) provide 'insurance' against the risk that IFRSs become unacceptable for adoption in Australia and New Zealand;
- (e) the Boards could help the IPSASB become a recognised force in standard setting, including possibly encouraging the IPSASB to remove barriers that exist to Australia and New Zealand adopting IPSASs, such as the IPSASB's delayed adoption of IFRSs. Underlying this comment was the thought that one set of international standards might best be achieved through the IPSASB, rather than the IASB;

- (f) consideration should be given to identifying the advantages and disadvantages of adopting IPSASs in the current context, which includes the IPSASB being one or two years behind in its adoption of IFRSs, particularly in view of the many significant impending changes to IFRSs; and
- (g) the current restructuring of standard setting arrangements in New Zealand might offer opportunities for better integrating the activities of the two Boards.

It was agreed that the staff will work with the Chairs to further develop the Boards strategies in light of the matters noted above.

The Boards noted the view that the current working arrangements are not efficient in terms of the use of limited staff resources because matters often need to be re-worked to suit each Board and each environment. In that context, the Boards noted the suggestions that greater integration at the Board level might be desirable and agreed that a business case should be prepared for consideration by the Boards outlining the costs, benefits and barriers to greater integration.

Action: Chairs
 AASB and FRBSB staff

IPSASB Report

Agenda Item 5

The Boards had before them:

- (a) a memorandum from Clark Anstis dated 21 July 2010 (Agenda paper 5.1);
- (b) IFAC's *IPSASB Meeting Highlights*, July 2010 (Agenda paper 5.2); and
- (c) a report on the IPSASB Meeting (Agenda paper 5.3).

The Boards received an update on the 28 June – 1 July 2010 meeting of the IPSASB from Ken Warren, the New Zealand member of IPSASB, and Clark Anstis. They highlighted various aspects of their report on the IPSASB meeting, including the IPSASB's interest in strengthening its governance arrangements. The Boards noted that there is only limited reference to the IPSASB in the IFAC Monitoring Group's *Review of the IFAC Reforms – Consultation Paper* (June 2010) and agreed to make submissions to the Monitoring Group.

The following matters were also noted:

- (a) the priority that the IPSASB is continuing to give to its conceptual framework project, with more than half of the IPSASB's meeting time again devoted to framework issues. The IPSASB is addressing four phases concurrently – a draft exposure draft on objectives, scope, qualitative characteristics and reporting entity (phase 1); a draft consultation paper on elements and recognition (phase 2); a draft consultation paper on measurement (phase 3); and an issues paper on presentation and disclosure (phase 4);
- (b) the IPSASB has established a Standard Setters Advisory Panel for its Conceptual Framework project – both Kevin Stevenson and Kevin Simpkins (Chair, ASRB, NZ) are members of the panel;

- (c) the IPSASB began to consider the submissions received on its Consultation Paper *Reporting on the Long-Term Sustainability of Public Finances* (November 2009) and is anticipating developing a non-mandatory pronouncement;
- (d) entity combinations were discussed in terms of common control and other transactions, with the IPSASB deciding to develop a consultation paper that addresses combinations and potential amendments to the IPSASB Standards on consolidation, investments in associates and interests in joint ventures (IPSASs 6, 7 and 8);
- (e) an initial issues paper on service performance reporting was discussed by the IPSASB, which decided its focus should be on the external reporting of service performance information and that the project brief should be revised for the next meeting; and
- (f) the IPSASB is developing ways of tracking convergence between its Standards and IFRSs to assist it in making IFRS-convergence amendments to its Standards when appropriate.

No decisions were made by the Boards in relation to these matters. The Boards noted that the next meeting of the IPSASB is in November 2010.

Action:	Staff
	Chairman

Revenue from Contracts with Customers

Agenda Item 6

The Boards had before them:

- (a) a memo from Clive Brodie: Revenue: Consider preliminary views on IASB Exposure Draft ED/2010/6 *Revenue Recognition in Contracts with Customers* (Agenda paper 6);
- (b) a memo from Clive Brodie: Summary of IASB Exposure Draft *Revenue Recognition in Contracts with Customers* (Agenda paper 6.1);
- (c) a memo from Clive Brodie: Assessment of impact of the IASB's proposals on current practice (Agenda paper 6.2);
- (d) FRSB comment letter on IASB Discussion Paper *Preliminary Views on Revenue Recognition in Contracts with Customers* – 16 June 2009 (Agenda paper 6.3);
- (e) AASB comment letter on IASB Discussion Paper *Preliminary Views on Revenue Recognition in Contracts with Customers* – 19 June 2009 (Agenda paper 6.4); and
- (f) IASB Exposure Draft ED/2010/6 *Revenue Recognition in Contracts with Customers* (Agenda paper 6.5);

The Boards discussed the IASB's ED and members commented that:

- (a) the ED is a mixture of revenue recognition ideas, many of which have their source in existing practice in various jurisdictions;

- (b) in some instances, the examples accompanying the ED seem to conflict with the principles in the ED and the Boards questioned whether an ED supplemented by up to 50 pages of application guidance is principles-based;
- (c) the ED seems to be more about accounting for contracts than accounting for revenue and the IASB should refocus its proposals;
- (d) the proposals should be consistent with current proposals to amend other accounting standards in relation to revenue recognition (such as leases and insurance contracts) or the differences should be justified in the relevant bases for conclusions;
- (e) the IASB's proposals focus on the wrong asset as a basis for revenue recognition – the physical transfer to customers of a good or service. Rather, the focus should be on the creation of rights and satisfaction of obligations under contracts with customers. Because of this problem, the ED's proposals may result in inappropriate accounting for revenue under long-term contracts;
- (f) if the IASB proceeds with its proposals, there would be at least four types of liabilities with different measurement bases under IFRSs, including:
 - (i) a liability under the Standard on revenue from contracts with customers, measured at the transaction price;
 - (ii) an onerous contract liability under the Standard on revenue from contracts with customers;
 - (iii) provisions, measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
 - (iv) financial liabilities measured under IAS 39 *Financial Instruments: Recognition and Measurement* / IFRS 9 *Financial Instruments (replacement of IAS 39)*;
- (g) a case should be made to the IASB for measuring liabilities to customers by reference to the cost of relieving or extinguishing the relevant obligation;
- (h) the proposed approach to accounting for rights of return, options and warranties appears to lack an appropriate underlying principle. Also, the proposals in respect of warranties and options are inconsistent with accounting for options elsewhere (such as the IASB's tentative decisions in its derecognition project);
- (i) including in the measurement of revenue the customers' credit risk is potentially confusing, complex and inconsistent with a transaction based model;
- (j) the proposals in paragraph 57 of the ED regarding accounting for contract costs are confusing and appear to be in conflict with IAS 38 *Intangible Assets*, which prohibits the capitalisation of internally generated intangible assets. It seems inappropriate for the ED to propose allowing the capitalisation of some internally generated intangible assets without proposing to make that change by amending IAS 38; and
- (k) the disclosures proposed are excessive, particularly with respect to the proposed reconciliations of opening and closing balances.

In respect of (e) above, the Board noted that:

- (a) although the IASB responded to the Boards' and others' comments on this problem in their submissions on the Discussion Paper *Preliminary Views on Revenue Recognition in Contracts with Customers*, the changes made have not overcome the problem;
- (b) in paragraph 30 of the ED, the list of indicators that control of goods or services has transferred to a customer does not identify the underlying principle for identifying when control has transferred;
- (c) the indicators that control of goods or services has transferred to a customer provided in paragraph 30 of the ED were interpreted differently by different Board members, indicating the indicators are ambiguous and raising concerns that their application may be inconsistent; and
- (d) the apparent prescriptive nature of paragraph 30 of the ED contrasts with the non-prescriptive nature of the subsequent and related paragraphs (paragraphs 32-33 of the ED). The indicators that control has been transferred to a customer provided in paragraph 30 of the ED could be interpreted strictly and therefore limit the use of the percentage of completion method for revenue recognition with the continuous transfer of goods or services. However, if an entity qualifies to use the percentage of completion method, paragraphs 32-33 are non-prescriptive, allowing almost any approach to recognising revenue with a continuous transfer of goods or services.

In respect of (h) above, the Board noted that Example 14 in the ED shows an entity that sells an asset and grants the customer the option to return the asset and receive a refund. The entity estimates that there is a 50% probability that the asset will be returned. Therefore, the entity recognises 50% of the transaction price as revenue, yet recognising half the transaction price does not provide the user of financial statements with meaningful revenue information. It would be more useful if then entity accounted for the entire sale at 100% of its value and then accounted for the written put option separately.

The Boards agreed that:

- (a) the comment letters should set out the conceptual concerns the Boards have with the ED. The comment letters should also set out the necessary changes that should be made to the proposals at a practical level if the IASB proceeds with the main proposals in the ED; and
- (b) AASB and FRSB staff would prepare a joint issues paper summarising the key issues to be raised in the Boards' comment letters for consideration at each Board's next meeting.

Action: AASB and NZICA staff

Income from Non-exchange Transactions

Agenda item 8

The Boards had before them a tabled copy of PowerPoint slides entitled 'Income from Non-Exchange Transactions (ED 180/ED 118)' (Agenda paper 8.1).

The Boards received a progress report about work on their joint project on income from non-exchange transactions. The Boards noted that, in March 2010, they commenced their review of the submissions on

AASB ED 180/FRSB ED 118 *Income from Non-exchange Transactions (Taxes and Transfers)* and decided to explore an approach to liability recognition in which an enforceable performance obligation is of itself sufficient for a liability to exist.

The Boards were informed that an issues paper that considers the IASB's emerging thinking on performance obligations in its projects on 'revenue from contracts with customers' and 'conceptual framework' will be provided to the Boards' project Subcommittee shortly. The Boards expect to consider the paper at their joint meeting in October 2010.

The Subcommittee has been inactive since AASB ED 180/FRSB ED 118 was developed. Existing members of the Subcommittee (Glenn Appleyard, John O'Grady and Ken Warren) confirmed their willingness to continue to serve on the Subcommittee. The Boards appointed Dave Foster, Ian McPhee and Angela Ryan as new members of the Subcommittee, to replace former members Todd Beardsworth, Brett Kaufmann and Greg Schollum.

In relation to the draft issues paper, Board members were informed of the IASB's tentative view that, for a promise to perform to qualify as a liability, it must be enforceable by legal or equivalent means. Members expressed differing views on whether it would be appropriate to apply this principle when identifying liabilities arising from non-exchange transactions. Some argued that all specific promises to provide goods or services should be treated as liabilities until the goods or services are provided. As this was a progress report, no Board decisions were made.

Action: AASB and NZICA staff
Subcommittee members

AASB Only Meeting

Minutes and Declarations of Interest

Agenda Item 10

Minutes

The Board approved the minutes of the one hundred and the eighth and one hundred and ninth meetings held on 9-10 June 2010 and 25 June 2010 respectively.

Post-implementation review of AASB 1049

Agenda Item 11

The Board had before it:

- (a) a memorandum from Latif Oylan and Robert Keys dated 14 July 2010 (Agenda paper 11.1); and
- (b) an issues paper: AASB 1049 *General Government Sector and Whole of Government Financial Reporting (October 2007) Implementation Issues* (Agenda Paper 11.2).

The Board noted the background to the post-implementation review (section 1 of Agenda paper 11.2) and general issues relating to the implementation of AASB 1049 (section 2 of Agenda paper 11.2) as a context to the list of specific implementation issues in section 3 of agenda paper 11.2. The Board particularly noted that the post-implementation review work to date had not identified any major flaws in the Standard. The Board then considered each specific issue and decided which issues should give rise to proposals to amend AASB 1049.

The more significant proposals to be included in an Exposure Draft to be issued for public comment include proposals to amend AASB 1049 to:

- (a) require General Government Sector (GGS) and whole of government (WoG) financial statements to be prepared, referenced to each other and made available at the same time; and
- (b) subject to consultation with the ABS, help ensure that orderly adoption of any future amendments to the ABS GFS Manual is facilitated.

Subject to other priorities, the Board decided that the aim should be to issue any amendments to AASB 1049 before the end of 2010.

Details of the Board's decisions on the specific issues is provided in Attachment A.

Action:	Staff (re draft Exposure Draft)
	Chairman [re letter to the ABS – see Attachment A, decision (y)(i)]

Superannuation plans and approved deposit funds

Agenda item 12

The Board had before it:

- (a) a memorandum from Dean Ardern dated 14 July 2010 (Agenda paper 12.1);
- (b) an issues paper discussing the main implications of the Board's June 2010 decisions regarding the measurement of any obligations to members arising from insurance arrangements under the approach in AASB 119 *Employee Benefits* for measuring defined benefit obligations (Agenda paper 12.2);
- (c) an issues paper discussing the main implications of the Board's April 2010 decisions regarding superannuation entities applying AASB 7 *Financial Instruments: Disclosures* (Agenda paper 12.3);
- (d) a proposed timetable for completion of a draft replacement Standard for AAS 25 *Financial Reporting by Superannuation Plans* (Agenda paper 12.4); and
- (e) a memorandum from Dean Ardern dated 28 July 2010 (tabled Agenda paper 12.5).

The Board considered Agenda Paper 12.2 and noted that:

- (a) the Board's June 2010 decision to require a superannuation plan or approved deposit fund (ADF) to measure any obligations arising from the insurance arrangements the entity provides to its members

in accordance with the approach in AASB 119 for defined benefit obligations was determined largely on the basis of practical considerations;

- (b) under AASB 119, no distinction is made between retirement benefits and insurance benefits in respect of the measurement or presentation of defined benefit liabilities. Accordingly, defined benefit obligations are measured on the basis of the 'best estimate' of all of the different possible types of benefits payable to members under the particular arrangements;
- (c) the measurement basis for insurance obligations under the replacement Standard for IFRS 4 *Insurance Contracts* is likely to be different from the measurement basis for defined benefit obligations under IAS 19 *Employee Benefits*; and
- (d) employers' assets and liabilities accounted for under IAS 19 and retirement benefit obligations accounted for under IAS 26 *Accounting and Reporting by Retirement Benefit Plans* are likely to be excluded from the scope of the replacement Standard for IFRS 4.

The Board tentatively decided that, under a replacement Standard for AAS 25 *Financial Reporting by Superannuation Plans*:

- (a) any obligations arising from insurance arrangements provided to members of a plan or ADF should be recognised (and derecognised) by the entity in accordance with the approach under AASB 119 for defined benefit obligations;
- (b) consistent with the approach in AASB 119 for defined benefit obligations, a plan with obligations for defined benefit members' accrued benefits should not be required to present the insurance and retirement components of such obligations separately;
- (c) a plan or ADF that recognises material obligations arising from the insurance arrangements it provides to its defined contribution members should present such obligations separately from its obligations for those members' vested benefits;
- (d) assets arising from the insurance arrangements a plan or ADF provides to its members should be recognised and measured by the entity in accordance with the relevant requirements in AASB 1038 *Life Insurance Contracts*. To this end, the Board decided that the replacement Standard should include a cross-reference to the relevant paragraphs in AASB 1038; and
- (e) a plan or ADF should, when appropriate, disclose information in accordance with paragraphs 36 and 38 of IFRS 4. In addition, the Board decided that, consistent with the requirements in paragraph 36 of AASB 1038, a plan or ADF should disclose the key actuarial assumptions used to measure its obligations arising from the insurance arrangements it provides to its members, and any uncertainties surrounding the assumptions. To this end, the Board decided that the disclosure principles in paragraphs 36 and 38 of IFRS 4 should be incorporated in the replacement Standard.

In addition, the Board decided that staff should give further consideration to the conceptual justifications for not requiring a plan with obligations for defined benefit members' accrued benefits to present the insurance and retirement components of such obligations separately.

The Board considered Agenda Paper 12.3 and noted that:

- (a) obligations for members' benefits arguably meet the definition of a financial liability in AASB 132 *Financial Instruments: Presentation*. However, paragraph 3(b) of AASB 7 arguably excludes obligations for defined benefit members' accrued benefits from the scope of AASB 7;
- (b) information in relation to the risk that an employer sponsor of defined benefit members will encounter difficulty in making contributions to its plan at a level that would be expected to permit the plan to meet its obligations for such members' accrued benefits is of critical importance to users in understanding the overall financial position (solvency) of the plan, irrespective of whether the plan currently has a defined benefit 'surplus' or 'deficiency'. In addition, such risk is more in the nature of non-performance risk or economic dependency risk than credit risk; and
- (c) the provision of additional liquidity risk disclosures in relation to non-financial items held by a plan or ADF is arguably justified on cost-benefit grounds. Users of the financial statements of plans and ADFs are likely to consider such disclosures as being useful information for decision making. In addition, superannuation trustees are required to formulate and give effect to an investment strategy that has regard to the whole of the circumstances of the entity, including the liquidity of the entity's investments and its expected cash flow requirements.

The Board tentatively decided that the replacement Standard for AAS 25 should:

- (a) note that obligations for defined contribution and defined benefit members' benefits in a superannuation plan context meet the definition of a financial liability in AASB 132. In addition, to facilitate obligations for defined contribution and defined benefit members' benefits being treated consistently, the replacement Standard should clarify that both types of obligations fall within the scope of AASB 7. Accordingly, under the replacement Standard a plan or ADF to provide, when appropriate, liquidity risk disclosures in relation to obligations for defined contribution and defined benefit members' benefits in accordance with the relevant principles and requirements in AASB 7;
- (b) require a plan with defined benefit members should provide qualitative disclosures in respect of the non-performance risk and/or economic dependency risk that the entity is exposed to arising from the employer sponsors of those members. In addition, such disclosures should be consistent with the types of information disclosed in accordance with the qualitative disclosure requirements in paragraph 33 of AASB 7; and
- (c) require a plan or ADF to provide liquidity risk disclosures in respect of material non-financial liabilities that are consistent with the types of information required under AASB 7.

The Board will continue its redeliberations at its September 2010 meeting.

Action: Staff

Interpretations

Agenda item 13

The Board had before it:

- (a) presentation slides of an update of the July 2010 IFRS Interpretations Committee meeting (tabled paper); and
- (b) July 2010 *IFRIC Update* (tabled paper).

The Board received an update on the July 2010 IFRS Interpretations Committee meeting and noted:

- (a) the work on production stripping and that a draft interpretation is to be presented to the IASB for approval for distribution;
- (b) the issue of repeat application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* and the tentative decision not to add the topic to the Committee's agenda, but to clarify, as part of *Annual Improvements*, that in some circumstances an entity must apply IFRS 1 again; and
- (c) an issue on IAS 21 *The Effects of Changes in Foreign Exchange Rates – Repayments of investments* and the tentative decision not to add to the topic to the Committee's agenda. However it was suggested that AASB staff might highlight the issue to the Korea Accounting Standards Board because the KASB may wish to raise the matter at the next National Standard Setters meeting.

Action: Staff

Presentation of Financial Statements

Agenda item 7

The Board had before it:

- (a) a memorandum prepared by Latif Oylan and Mischa Ginns dated 14 July 2010 (Agenda paper 7.1);
- (b) a summary of the IASB and FASB's joint project plan on the Presentation of Financial Statements (Agenda paper 7.1.1); and
- (c) AASB ED 197 *Presentation of Items of Other Comprehensive Income* (proposed amendments to AASB 101).

The Board received an update on:

- (a) the IASB's and FASB's joint project plan on the Presentation of Financial Statements; and
- (b) the key proposals in the IASB's Exposure Draft *Presentation of Items of Other Comprehensive Income*.

The Board will consider the content of its submission to the IASB at its September 2010 meeting.

Action: Staff

GAAP/GFS Harmonisation for Not-for-Profit Entities within the GGS

Agenda Item 14

The Board had before it:

- (a) a memorandum from Robert Keys and Emma O'Brien dated 14 July 2010 (Agenda paper 14.0);
- (b) an issues paper: The implications of expressing the principle that an option in GAAP should be limited to that which aligns with GFS without direct reference to the ABS GFS Manual (Agenda paper 14.1);
- (c) an issues paper: The implications of the proposed requirement to distinguish between transactions and other economic flows without direct reference to the ABS GFS Manual (Agenda paper 14.2); and
- (d) an issues paper: The implications of the proposed requirement to disclose GAAP/GFS harmonised information in a note (Agenda paper 14.3).

The Board noted that these agenda papers address issues arising from tentative decisions the Board made at its April 2010 meeting, following its review of comments on the proposals in Exposure Draft ED 174 *Amendments to Australian Accounting Standards to facilitate GAAP/GFS Harmonisation for Entities within the GGS* [AASBs 101, 107 and 1052].

The Board considered the agenda papers and decided to clarify a number of aspects of its April 2010 tentative decisions for the purpose of expressing proposals to be incorporated into a new Exposure Draft. Details of the Board's decisions are provided in Attachment B.

Action: Staff

AASB 127 Relief

Agenda Item 15

The Board had before it a memorandum from Jessica Lion dated 14 July 2010 (Agenda paper 15.1).

The Board noted that the topic addresses whether to extend 'relief' from preparing consolidated financial statements that is provided to intermediate parent entities under paragraph 10 of AASB 127 *Consolidated and Separate Financial Statements* to other situations. The Board considered an analysis of possible scenarios that would apply based on the principle that relief is provided to an intermediate parent entity if the ultimate parent prepares consolidated financial statements that reflect the information that would otherwise have been presented in the intermediate consolidated financial statements.

The Board agreed to propose that intermediate parent entities should be relieved from preparing consolidated financial statements if a parent higher up in the group prepares consolidated financial statements that comply with an equivalent or higher level of reporting as well as the other criteria in paragraph 10 of AASB 127.

In the first instance, the staff will work through a subcommittee comprising the Chairman, Bruce Porter and Kris Peach.

The Board expects to issue an ED later this year.

Action: Staff

Public sector liaison

Agenda item 16

The Board discussed its liaison with public sector constituents and decided that its work program, and its public sector projects in particular, should be discussed in meetings with small groups of constituents, such as HoTARAC, ACAG, and others. The intention is to share views on priorities and the Board's public sector work.

Action: Staff
Chairman

Extractive Activities

Agenda item 17

The Board had before it presentation slides of key issues in the IASB Discussion Paper DP/2010/1 *Extractive Activities* (tabled paper).

The Board discussed issues to be included in its submission to the IASB's Discussion Paper DP/2010/1 *Extractive Activities* and directed staff to draft a letter, to be approved through the Chair. The submission is to indicate the AASB's support for the project being included on the IASB's work program but also highlight that a number of issues dealt with in the DP, such as risks and uncertainty, are not exclusive to the minerals and oil and gas industries but also prevalent in other industries such as pharmaceuticals. The Board decided that comments to specific questions should be formulated that take into consideration constituents' views.

Action: Staff
Chairman

Other Business

Agenda items 18

The Board had before it:

- (a) a memorandum from Robert Keys dated 14 July 2010 (Agenda paper 18.10);
- (b) a draft revised AASB Work Program (prepared July 2010) (Agenda paper 18.10A);
- (c) a summary of AASB Work Program (prepared July 2010) (Agenda paper 18.10B); and

- (d) a Pipeline document of IASB/IPSASB/IFRSF Documents Open-for-Comment – Current and Expected (as at 14 July 2010) (Agenda paper 18.11).

The Board noted the agenda papers.

IFRS Advisory Council

Agenda items 20

The Board received an update from Judith Downes, a member of the IFRS Advisory Council, on recent developments.

Close of Meeting

The Chairman closed the meeting at 4.00 p.m. on Friday 30 July 2010.

Approval

Signed by the Chairman as a correct record
this first day of September 2010.

ATTACHMENT A

Post-implementation review of AASB 1049 (October 2007)

Agenda Item 11

The following details the Board's decision on each issue identified in agenda paper 11.2 (references to issue numbers and the related issue descriptions are to those in agenda paper 11.2 – asterisks [*] signify those decisions that give rise to proposed amendments to AASB 1049):

- (a) *Issue 3.1 Preparation of GGS Financial Statements (paragraph 7): The Board decided, consistent with the original intent behind AASB 1049, that paragraph 7 should be amended to unambiguously require both GGS and WoG financial statements to be prepared;
- (b) Issue 3.2 WoG and GGS financial statements presented in one document (paragraph 7): The Board decided it is not necessary to amend AASB 1049 in relation to this issue, noting that the Illustrative Examples in AASB 1049 are only for illustrative purposes and do not mandate any preferred method of presentation and display of information. In particular, it is not necessary for AASB 1049 to explicitly endorse a side-by-side columnar presentation of GGS and WoG financial statements;
- (c) *Issue 3.3 GGS financial report not prior to WoG financial report (paragraph 8): The Board decided AASB 1049 should be amended to require GGS and WoG financial statements to be made available at the same time and referenced to each other. This is on the basis that:
 - (i) the GGS financial statements provide useful information (e.g. budgetary information) for users and users should receive such information on a timely basis;
 - (ii) GGS financial statements provide a bridge between a government's budget and its WoG financial statements;
 - (iii) WoG financial statements should be available at the same time as GGS financial statements, to provide an appropriate context to the GGS financial statements; and
 - (iv) the requirement would not be onerous compared with the current requirement in AASB 1049 because there is only marginally more information needed to prepare GGS financial statements compared with WoG financial statements.
- (d) Issue 3.4 GPFR/SPFR (paragraphs 12 & BC6): Consistent with the staff recommendation and rationale, AASB 1049 should not be amended in relation to this issue at this time because the AASB 1049 approach to the issue has not created insurmountable practical problems for jurisdictions. In due course, it may be appropriate to revisit the way AASB 1049 deals with the GPFS/SPFS issue, depending on the outcome of future work being undertaken on the Differential Reporting project;
- (e) Issue 3.5 Adoption of options in GAAP that align with GFS (paragraph 13): The Board decided, in relation to:
 - (i) Issue 3.5.1 Land under roads (paragraph 13): it is not necessary to amend AASB 1049 to explicitly refer to the GAAP option relating to land under roads because jurisdictions have already addressed this issue in their 2008-09 financial statements and paragraph 14 of AASB 1049 only provides examples rather than an exhaustive list of the effect of the principle that 'a GAAP option is limited to align with GFS';

- (ii) *Issue 3.5.2 Early adoption of new Standards (paragraph 13): consistent with the staff recommendation and rationale, AASB 1049 should be amended to clarify that the principle of 'a GAAP option is limited to align with GFS' does not mean that a jurisdiction must early adopt a new Standard, even if early adoption would better align with GFS;
- (iii) Issue 3.5.3 Examples of particular optional treatments in GAAP (paragraph 14): the principles-based approach in AASB 1049 should be retained, rather than including an exhaustive list of GAAP options that align with GFS, on the basis it is not the Board's role to interpret GFS. However, in due course, an offer should be made for staff to work with Treasuries and the ABS in developing further guidance on the application of the principle, if Treasuries decide to develop separate guidance. Furthermore, in relation to the option in paragraph 12 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the ABS GFS Manual should not be explicitly included in the AASB 108 hierarchy, on the basis that GFS is not a part GAAP except in relation to the narrow scope of AASB 1049; and
- (iv) Issue 3.5.4 Concept of most closely aligns with GFS (paragraphs 13 & 14): it is not necessary to amend AASB 1049 to refer to 'most closely aligns' as the reference to 'aligns' adequately conveys the GAAP/GFS harmonisation principle that is adopted in AASB 1049;
- (f) Issue 3.6 Presentation of the WoG/GGS statement of financial position (paragraph 15): The Board decided it is not necessary to amend AASB 1049 to address this issue in relation to the sub-classification of non-financial assets between 'produced' and 'non-produced' and in relation to the presentation of assets and liabilities in the order of liquidity. This is because the principles in AASB 1049 are sufficiently clear and the illustrative examples are not prescriptive;
- (g) *Issue 3.7 Presentation of additional fiscal aggregates (paragraphs 16 & 18): Consistent with the staff view and rationale, the Board decided that AASB 1049, including paragraph 18, should be amended to require a jurisdiction to clearly differentiate between key fiscal aggregates and other fiscal aggregates, to help avoid potential confusion for users. Furthermore, the last sentence of paragraph 18 should be amended to align with paragraphs 41(a)(i) and 52(b)(ii), and thereby explicitly prohibit the disclosure of other measures of key fiscal aggregates as either key fiscal aggregates or other fiscal aggregates;
- (h) *Issue 3.8 Individual amounts for PNFC and PFC sectors (paragraphs 20 & 23): The Board agreed the last sentence of paragraph 23(c) should be amended to be consistent with paragraph 20(c) by referring to 'presented in aggregate' rather than 'presented on a net basis';
- (i) *Issue 3.9 Transactions with owners as owners in a GGS context: (paragraph 26 [paragraph 34B of AASB 1049 (October 2007, as amended)]): The Board agreed that the last sentence of paragraph 26 should be amended by inserting 'generally' before the words 'Such transactions do not arise in a GGS context' on the basis that there might be situations where minority interest does exist in a GGS context;
- (j) Issue 3.10 Presentation of components of other economic flows (paragraph 29): The Board decided paragraph 29 and the Illustrative Examples should not be amended in relation to the presentation of

- components of other economic flows because the Illustrative Examples are only for illustrative purposes and do not mandate any preferred presentation method;
- (k) Issue 3.11 Presentation of operating result on the face: The Board agreed that paragraph 29 should not be amended in relation to the requirement to present the operating result on the face of the statement of comprehensive income because, consistent with the fundamental basis upon which AASB 1049 was developed, AASB 1049 should continue to require the presentation of GAAP subtotals;
- (l) Issue 3.12 Transactions vs. other economic flows [paragraphs 30 & 55(b)]: The Board decided paragraphs 30 and 55(b) should not be amended in relation to this issue, consistent with the principles-based approach in AASB 1049. In particular:
- (i) in relation to paragraph 30, the Board noted that AASB 1049 already clearly requires GFS principles for distinguishing between transactions and other economic flows to be applied in a GAAP context; and
 - (ii) in relation to paragraph 55(b), which addresses the classification of deferred tax amounts, the Board confirmed its October 2007 decision that GFS does not recognise deferred tax expense and therefore it is necessary to extrapolate from the general GFS principles for classification. The Board noted that, although AASB 1049 requires deferred tax expense relating to an asset revaluation reserve to be classified as an other economic flow, when that deferred tax balance reverses, it would give rise to current tax which would be classified as a transaction (consistent with GFS);
- (m) Issue 3.13 Treatment of non-cash items in relation to cash flow statements (paragraphs 18 & 37): The Board decided it is not necessary to amend AASB 1049 for this issue because it is already obvious in GAAP (including AASB 1049) that an entity should clearly distinguish between information that is and is not cash flow information;
- (n) Issue 3.14 Reconciliation requirements [paragraphs 41(a)(i)B & 52(b)(ii)B]: The Board decided paragraphs 41(a)(i)B and 52(b)(ii)B should not be amended because the reconciliation requirement in AASB 1049 provides useful information for users in the context of GAAP/GFS harmonisation and the reconciliation schedule is a critical part of AASB 1049. On a related issue, the Board considered whether it is necessary to amend AASB 1049 to explicitly address the circumstances where 'official' ABS GFS amounts differ from and are published after amounts disclosed as GFS amounts in the financial statements. The question arises as to which GFS amounts should be reconciled to in the comparative information disclosed in the following year's financial statements. The Board decided that it is not necessary to explicitly address this issue, noting that the GFS amounts previously reported in the financial statements would be the relevant amounts;
- (o) Issue 3.15 Disclose explanations of key technical terms (paragraphs 41(a)(iv) and 46): The Board decided paragraphs 41(a)(iv) and 46 should not be amended in relation to this issue on the basis that the requirement in AASB 1049 is sufficiently clear and any change has the potential to lead to diversity in practice;

- (p) Issue 3.16 Disclose a list of entities within the GGS, and changes therein, and reasons for change; and a list of significant investments in PNFC and PFC sector entities
[paragraphs 41(b)(i) & (ii)]: The Board decided paragraphs 41(b)(i) and (ii) should not be amended in relation to this issue on the basis that the requirements in AASB 1049 are sufficiently clear. Further, in relation to the observation that it is conceivable the scope of the GGS under GFS might differ from that under GAAP, it is not necessary to explicitly address this possibility in AASB 1049 because the list of examples of convergence differences in AASB 1049 is not intended to be exhaustive;
- (q) Issue 3.17 Disclosure of the aggregates of dividends and other distributions to owners as owners
[paragraphs 41(b)(iii)]: The Board decided paragraph 41(b)(iii) should not be amended in relation to this issue on the basis that there is apparently no significant issue in complying with the requirement in paragraph 41(b)(iii). The Board noted it is a matter of professional judgement based on circumstances whether income tax equivalent income is in the nature of a distribution to owners as owners. In relation to whether to amend AASB 1049 to require disclosure of contributions by owners as owners, the Board noted that typically information is already disclosed and therefore it is not necessary for AASB 1049 to mandate it;
- (r) Issue 3.18 Statutory liabilities and assets (paragraph 44): The Board decided paragraph 44 should not be amended in relation to the definition of 'financial assets and liabilities' because it is not within the scope of the post-implementation review of AASB 1049 to define the boundaries of financial assets and liabilities and determine whether 'statutory assets and liabilities' are within that definition;
- (s) Issue 3.19 Carrying amounts of assets attributable to functions [paragraph 48(b)]: Consistent with the staff recommendation and rationale, the Board decided paragraph 48(b) should not be amended in relation to this issue, noting that the Board's work program includes a Disaggregated Disclosures project that will address, amongst other things, issues raised in the post-implementation review of AASB 1049;
- (t) Issue 3.20 Expenses, excluding losses, included in operating result, by function
[paragraph 48(c)]: Consistent with the staff recommendation and rationale (and decision(s) outlined immediately above), the Board decided paragraph 48(c) should not be amended in relation to this issue;
- (u) Issue 3.21 Presentation of total non-financial public sector information (paragraphs 52, 18 & BC34): Consistent with the staff recommendation and rationale, the Board decided paragraph 52 should not be amended in relation to this issue;
- (v) Issue 3.22 Presentation of sectoral statements of financial position (paragraph 58): Consistent with the staff recommendation and rationale, the Board decided paragraph 58 should not be amended in relation to this issue;
- (w) *Issue 3.23 Interpretation of 'presented on a basis consistent with' in the context of budgetary information [paragraph 59(a)]: Consistent with the staff recommendation and rationale, the Board decided AASB 1049 should be amended to clarify that the budget should be recast solely for

presentation and classification matters, not for recognition and measurement matters, and that AASB 1049 should continue to require jurisdictions compare actuals against the 'original budget';

- (x) Issue 3.24 Explanations of variances from budget [paragraph 59(b)]: Consistent with the staff recommendation and rationale, the Board decided paragraph 59(b) should not be amended in relation to this issue;
- (y) Issue 3.25 Appendix A:
 - (i) Issue 3.25.1 Definition of the ABS GFS Manual (its scope and process for change): Consistent with the staff recommendation and rationale, the Board decided that it should write to the ABS formally advising it of the concerns identified during the post-implementation review of AASB 1049 relating to the scope of the ABS GFS Manual and the process for change. The letter should encourage the ABS to clarify the scope of the ABS GFS Manual and establish an agreed process for amending and/or interpreting the Manual.
 - (ii) *Issue 3.25.2 Definition of the ABS GFS Manual (which version): The Board considered whether to amend the definition of the ABS GFS Manual in AASB 1049 to be a static reference rather than an ambulatory reference. Rather than amend the definition, the Board decided that further consideration should be given to amending AASB 1049 in other ways to help facilitate orderly adoption of any future amendments to the ABS GFS Manual. The Board noted that the nature of the amendment would depend on the outcome of the consultation with the ABS (see decision (y)(i) immediately above). Alternative ways to amend AASB 1049 for this issue to be considered by the Board at a future meeting include giving the same kind of transitional relief that is given in relation to changes in GAAP to changes to GFS (e.g. mandatory after 2 years but allowing early adoption in the interim); or require adoption of the ABS GFS Manual as at the beginning of the previous financial year. The principle should be to continue to require reconciliation of GAAP to GFS 'dynamically' unless there is a change to GFS (and therefore accounting) that would preclude its orderly adoption; and
- (z) Issue 3.26 Illustrative Examples:
 - (i) Issue 3.26.1 Presentation of discontinued operations (Illustrative Examples A & B): Consistent with the staff recommendation and rationale, the Board decided not to amend the Illustrative Examples to incorporate a discontinued operation on the basis that they are only for illustrative purposes; and
 - (ii) *Issue 3.26.2 Tax-effect accounting by the GGS [Explanatory Note r(ii)]: After noting alternative views, including the view that mirror accounting can be justified given the amount is known in a 'closed system', and the question of whether the amounts are in the nature of a tax or distribution to owners as owners, the Board decided to remove the text in square brackets in Explanatory Note r(ii) on the basis that it is beyond the scope of the GAAP/GFS harmonisation project.

ATTACHMENT B

Summary of Board Decisions in Relation to Agenda Papers 14.1-14.3

Agenda item 14

Agenda Paper 14.1

This agenda paper addressed recognition and measurement issues. The Board decided that the Exposure Draft should express its proposals relating to recognition and measurement requirements in such a way as to minimise (rather than avoid) the need for preparers to refer to the ABS GFS Manual. As such, the Board decided the GAAP/GFS harmonisation principle of 'GAAP recognition and measurement options should be limited to those that align with GFS' should be explicitly stated in the Exposure Draft and accompanied by a more extensive list of specific examples than the list provided in AASB 1049, to compensate for users' relative lack of familiarity with GFS. The Board decided that it is not its role to provide an exhaustive list of the limitations on GAAP options that would arise from the principle. However, the Board expressed a willingness to work with HoTARAC (which would be expected to have a particular interest in ensuring the orderly adoption of a Standard specifying GAAP/GFS harmonisation principles for not-for-profit entities within the GGS) in developing HoTARAC guidance on the principle. In relation to specific issues raised in agenda paper 14.1, the Board decided that:

- (a) because the GAAP/GFS harmonisation principle applies to measurement for recognition purposes, the list of examples to be included in the Exposure Draft should not include 'measurement for disclosure purposes' options;
- (b) the principle should not be expressed in a way that would require early adoption of a Standard, even if early adoption would result in an outcome that more closely aligns with GFS than the superseded standard, to help ensure entities have adequate time to understand and apply new requirements;
- (c) consistent with AASB 1049, the principle should be expressed as 'an option in GAAP should align with GFS' rather than 'an option in GAAP should most closely align with GFS';
- (d) the list of examples providing guidance on the application of the principle to be included in the Exposure Draft should be limited to examples that are expressed as explicit recognition and measurement options in GAAP. Accordingly, options expressed as 'reporting' or 'classification' options, such as those in paragraphs 18, 22, and 31 of AASB 107 *Statement of Cash Flows* should not be included in the list. Furthermore, the option in paragraph 12 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* should be excluded from the list. In that regard, the Board decided it would be inappropriate to explicitly include the ABS GFS Manual within the GAAP hierarchy due to the precedent this might set for including other non-GAAP material in the hierarchy;
- (e) AASB pronouncements that allow entities to exercise discretion over equity designations/classifications (e.g. paragraphs 8(c) and 25 of Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*) should not be characterised as providing GAAP recognition options; and
- (f) none of the following options should be included in the list of examples:
 - (i) appendices C and D of AASB 1 *First-time Adoption of Australian Accounting Standards*, which include an extensive range of optional exemptions. This is on the basis of the decision to not

to provide an exhaustive list of examples and that these options are likely to have limited application in a not-for-profit entity within the GGS context; nor

- (ii) paragraph 25 of AASB 102 *Inventories*, which requires inventory to be measured at cost using either the first-in, first-out (FIFO) or weighted average cost (WAC) formula. This is on the basis that, although it is a GAAP recognition and measurement option, neither option may align with GFS.

Agenda Paper 14.2

This agenda paper addressed classification and presentation issues pertinent to the proposed GAAP/GFS harmonisation note that would contain information about controlled and administered items (both separately and combined) classified using GFS principles (including transactions and other economic flows). The Board directed staff to consider alternative ways of giving effect to the substance of the GFS distinction between transactions and other economic flows in a GAAP reporting entity context, for consideration by the Board at a future meeting. This is because the ABS GFS Manual definitions of those terms are not necessarily effective at the level of a not-for-profit entity within the GGS, given the nature of many reporting entities at that level compared with the GFS notion of 'institutional units' (which is included in the GFS definition of 'transactions'). Given this decision, the Board did not discuss specific examples of distinguishing between transactions and other economic flows or other issues that arise in applying the GFS distinction between transactions and other economic flows to GAAP items that do not directly correspond to GFS items (Questions 3-7 of Agenda paper 14.2).

Agenda Paper 14.3

This agenda paper addressed further issues relating to the proposed GAAP/GFS harmonisation note containing information about controlled and administered items presented using GFS classification principles. The Board considered two alternative approaches for presenting the note, being:

- (a) Approach (A), which discloses controlled and administered items and combines them after making and disclosing eliminations of intra-government transactions; and
- (b) Approach (B), which discloses controlled and administered items and combines them without making or disclosing eliminations of intra-government transactions.

The Board:

- (a) directed staff to develop additional alternative formats for consideration [including comparison with Approaches (A) and (B)] at a future meeting. These alternatives should include a format that does not add controlled and administered items, and a format that makes, but does not disclose, eliminations of intra-government transactions. Each alternative [including Approaches (A) and (B)] should be accompanied by a staff assessment of whether it would satisfy requirements for the format of the primary financial statements. Furthermore, each alternative should be accompanied by a rationale for the approach and an assessment of the implications of the approach for the requirements of AASB 1050 *Administered Items*;

- (b) decided that a statement of changes in equity should not be required to be included in the note, because GFS classifications are not applicable to GAAP changes in equity. The Board also noted that a statement of changes in equity is not required under AASB 1050;
- (c) decided that, in relation to budgetary reporting proposals, rather than proposing requirements based on those in AASB 1049, the ED should propose requiring not-for-profit entities within the GGS to provide a comparison of the original budget (where presented to parliament) with either the primary financial statements or the information about controlled items that would be included in the note that is the subject of agenda paper 14.3, depending on which comparison would be most useful for users. Explanations of major variances should also be required to be disclosed;
- (d) decided that the term 'controlled' should be used to describe items that are not administered, on the basis that this term is widely understood by users and is used in practice;
- (e) confirmed that, consistent with AASB 1049, the GAAP/GFS harmonisation note should incorporate both GAAP and GFS sub-classifications and subtotals, in order to provide a bridge to the whole of government financial statements; and
- (f) decided that, if an illustrative example is included in the Exposure Draft, it should be accompanied by a 'health warning' to help ensure that its context and purpose is understood. However, the Board did not discuss the content of such a warning.