Australian Government
Australian Accounting Standards Board

# Minutes

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| **Subject:** | Minutes of the 122nd meeting of the AASB |
| **Venue:** | Ken Spencer Room, AASB offices<br>Level 7, 600 Bourke St, Melbourne |
| **Time(s):** | Wednesday 15 February 2012 from 9.00 a.m. to 5.30 p.m.<br>Thursday 16 February 2012 from 8.30 a.m. to 4.00 p.m. |

All agenda items except items 1 and 20 were discussed in public.

## Attendance

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| Members | Kevin Stevenson (Chairman)<br>Ian McPhee (Deputy Chair)<br>Kris Peach (Deputy Chair)<br>Victor Clarke<br>Anna Crawford<br>Sue Highland<br>John O'Grady<br>Liane Papaelias<br>Carmen Ridley<br>Brett Rix<br>Robert Williams |
| Apologies | Michelle Embling<br>Jayne Godfrey<br>Roger Sexton |
| In Attendance:<br>Staff | <br>Clark Anstis (in part)<br>Peter Batten<br>Mischa Ginns (in part)<br>Nikole Gyles (in part)<br>Ahmad Hamidi Ravari (in part)<br>Robert Keys<br>Gunter Leng (in part)<br>Sue Lightfoot (in part)<br>Christina Ng (in part) (by telephone)<br>Shu In Oei (in part)<br>Lisa Panetta (in part)<br>Angus Thomson (from morning tea, day 1) |
| Other | Joanna Perry (Observer)<br>Tim Youngberry (Observer)<br>Associate Professor Brian Howieson (item 6 in part) (by telephone) |

## Agenda, Declaration of Interests and Chairman's Report

Agenda item 14 was not used at this meeting.

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. In regard to measuring the value of defence weapons platforms (agenda item 8), Ian McPhee advised that his Office has an interest as the auditor of the Department of Defence and John O'Grady advised that his firm is an advisor in this matter. Brett Rix has advised that his employer may be affected by any accounting implications of a Minerals Resource Rent Tax (agenda item 7).

**Chairman's Report**

*Asian-Oceanian Standard-Setters Group (AOSSG)*

The Board noted an update on recent activities and potential developments, including possible new members. Preparations are in progress for the 2012 annual meeting to be held in Nepal.

*Involvement with Other Bodies*

The Chair updated the Board on his recent attendance at a conference at Chennai in India organised by the Institute of Chartered Accountants in India and attended by regional participants, followed in Singapore by a meeting of the IFRS Trustees, an IASB revenue seminar and an IASB future agenda roundtable.

The IASB has invited the AASB to assist it in its post-implementation review (PIR) of IFRS 8 *Operating Segments* that is being conducted during 2012.

The New Zealand ASB is proposing to introduce a 'Reduced Disclosure Regime' modelled on that applying in Australia, and is keen to work with the AASB in developing and maintaining a common regime. Consideration will be given to how the two Boards can work together, without adversely affecting how responsive the AASB is to Australian needs.

The Chair and Technical Director participated in a recent meeting of the FRC Public Sector Task Force and provided an update on the AASB's projects relating to that sector.

Mischa Ginns has continued to participate in the ACNC Implementation Design Task force consultations.

Robert Keys and Gunter Leng attended the National Local Government Financial Management Forum held in Perth in mid-February. One issue noted during the forum related to the use of the term 'Current Replacement Cost' (CRC) in AASB 13 *Fair Value Measurement* compared with how that term is generally used and understood by local governments.

*Other*

The Board noted that there would be a reduction in the Office's 2012/13 budget, compared with the 2011/12 budget.

The Board also noted recent staff movements, including that two new graduates had commenced their 12-month internship.

**Board Appointments and Subcommittees**

The Board welcomed new Board members Liane Papaelias and Carmen Ridley to their first meeting. The Board also thanked those members who had accepted new terms of appointment.

Board members had previously been asked to consider their involvement in the Board's subcommittees (agenda paper 3.2) and advise their preferences and availability. The Chair drew attention to agenda paper 3.2.1, which proposed a reallocation of subcommittee positions, having regard to these expressed preferences, new Board members and the need to balance experience and workload. The Chair asked for any comments on the proposals to be made by the end of the meeting. None were received, so the proposed membership listing plus those subcommittees established during the meeting will comprise the initial subcommittee list for 2012.

## Apologies, Minutes and Approvals Out of Session

Agenda Item 2

**Apologies**

Apologies were noted for Michelle Embling, Jayne Godfrey and Roger Sexton.

**Minutes**

The Board approved the minutes of the one hundred and twenty-first meeting held on 7-8 December 2011. There were no matters arising not otherwise addressed in the agenda.

**Approvals Out of Session**

The Board had before it a Voting Summary (Board only) (agenda paper 2.2). The Board noted its approvals, including ED 224 *Transition Guidance* (proposed amendments to AASB 10 *Consolidated Financial Statements*) issued under its delegated authority for the Chairman to issue IASB consultation documents where there is no significant additional Australian material.

## Other Business

Agenda Item 3

The Board had before it:

(a) a memorandum from Gunter Leng, Peter Batten and Robert Keys dated 31 January 2012 re: Work Program and Consultation Submissions Pipeline (agenda paper 3.1);

(b) Summary of AASB Work Program (January 2012) (agenda paper 3.1.1);

(c) Detailed AASB Work Program (January 2012) (agenda paper 3.1.2);

(d) Consultation Submissions Pipeline Report (January 2012) (Board only) (agenda paper 3.1.3);

(e) AASB Sub-committee membership listing as at 1 January 2012 (Board only) (agenda paper 3.2);

(f) Proposed reallocation of AASB Sub-committee positions (Board only) (agenda paper 3.2.1, tabled);

(g) Letter from Andrew Terracini, Water Accounting Standards Board dated 5 December 2011 and response from AASB Chairman dated 14 December 2011 (agenda paper 3.3);

(h) Letter from AASB Chairman dated 14 December 2011 to Sir Michael Peat, International Integrated Reporting Committee Chairman re: International Integrated Reporting Committee Discussion Paper Towards Integrated Reporting – Communicating Value in the 21st Century (agenda paper 3.4);

(i) Letter from AASB Chairman dated 14 December 2011 to Hans Hoogervorst, IASB Chairman re: AASB comments on IASB Exposure Draft ED/2011/5 Government Loans (proposed amendments to IFRS 1) (agenda paper 3.5);

(j) Letter from AASB Chairman dated 21 December 2011 to Messrs Ross Jerrard and Tim Richards, Deloitte Touche Tohmatsu re: Accounting for the proposed Minerals Resource Rent Tax (MRRT) and Petroleum Resource Rent Tax (PRRT) (agenda paper 3.6);

(k) Letter from AASB Chairman dated 22 December 2011 to Wayne Upton, IFRS Interpretations Committee Chairman re: IFRS IC potential agenda item request: Accounting for royalty payments claimed as an allowance against income tax payable (agenda paper 3.7);

(l) Letter from Peter Meehan, Chief Executive Officer, Group of 100 dated 12 December 2011to AASB Chairman re: Emissions Trading Schemes (agenda paper 3.8);

(m) Letter from PricewaterhouseCoopers to IASB Chairman dated 5 January 2012 re: International Accounting Standards Exposure Draft ED/2011/4 Investment Entities (agenda paper 3.9);

(n) Letter from AASB Chairman dated 17 January 2012 to Manager, Philanthropy and Exemptions Unit, The Treasury re: Government consultation Paper Review of not-for-profit governance arrangements (agenda paper 3.10);

(o) Letter from AASB Chairman dated 22 January 2012 to John Murray, Director, BDO re: Accounting for the proposed Minerals Resource Rent Tax (MRRT) and Petroleum Resource Rent Tax (PRRT) (agenda paper 3.11);

(p) Letter from Australian Financial Markets Association dated 24 January 2012 to Commissioner Michel Barnier, The European Commission re: EMIR Clearing Requirements (2010/0250 (COD)) – ‘intra group’ definition (agenda paper 3.12).

(q) AASB staff comments on draft Chapter 2 of GFSM12 (agenda paper 3.13, tabled); and

(r) AASB communications report (15 December 2011 – 15 February 2012) (Board only) (agenda paper 3.14, tabled).

The Board noted the agenda papers.

In respect of the work program, agenda papers 3.1.1 and 3.1.2, see item 20(c) below regarding establishing an anticipated date for completion of guidance on reporting grantor service concession arrangements. In respect of agenda paper 3.1.3, the Board decided to consider at a future meeting whether it or staff would make submissions to EFRAG on that body's Discussion Papers on Accounting for Business Combinations under Common Control; and Improving the Financial Reporting of Income Tax.

In respect of agenda papers 3.2 and 3.2.1, see the section headed 'other' in the Chairman's Report above.

## IFRS Interpretations Committee

Agenda Item 4

The Board had before it:

(a) a memorandum re Interpretations from Gunter Leng and Peter Batten dated 31 January 2012 (agenda paper 4.1);

(b) Interpretations Issues in Progress – AASB Staff Summary (31 January 2012) (agenda paper 4.2); and

(c) IFRIC Update January 2012 (agenda paper 4.3).

The Board received a verbal report from Joanna Perry, IFRS Interpretations Committee member, on the Committee's work – noting that the IASB might address issues through the use of various methods, such as education, interpretation and improvements to standards. The Board noted the progress the Committee is making on various projects.

### Interpretations Protocol

The Board agreed that it should undertake a review of its Interpretations Protocol, including acknowledging that the IFRS Interpretations Committee may deal with issues in ways that extend beyond issuing an interpretation or a rejection statement – for example, by referring a matter to the IASB for resolution through an amendment to an IFRS.

### Employee Benefits – Australian Superannuation Contributions Tax

The Board noted that the issue it referred to the IFRIC (now the IFRS Interpretations Committee) in 2006 about the impact of the superannuation contributions tax on the measurement of defined benefit obligations has been resolved in the context of the revision to the definition of 'return on plan assets' in the revised AASB 119 (IAS 19) *Employee Benefits* issued in 2011.

## Financial Reporting Implications of a Carbon Tax

Agenda Item 5

The Board had before it:

(a) a memorandum from Ahmad Hamidi dated 31 January 2012 (agenda paper 5.1); and

(b) a working draft of Staff Paper: Possible Financial Reporting Implications of the Fixed Price Phase of the Proposed Carbon Price Mechanism (agenda paper 5.2).

The Board continued its discussion of the accounting implications of the carbon tax mechanism under existing Australian Accounting Standards during the fixed price phase for emitter entities. The Board noted that the purpose of the discussion was to provide input to the staff paper (agenda paper 5.2) and that the purpose of the staff paper is to identify factors relevant to determining appropriate accounting treatments.

During the discussion, the Board noted that purchased permits embody different rights compared with free permits – for example, unlike free permits, they are unlikely to embody a present right to receive cash. Thus, the two types of permits may need to be accounted for differently.

Based on the discussion, staff will:

(a) incorporate into the paper further discussion of the nature of purchased and free permits as intangible assets, statutory financial assets or other assets, and the consequential accounting implications thereof, such as for revaluations;

(b) include a discussion of issues surrounding the application of AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*; and

(c) include further information in the Appendix to the paper summarising the provisions of the legislation on Carbon Tax Mechanism that may have accounting consequences.

The Board also noted that possible financial reporting implications for the Government would be discussed at a future meeting, after the result of external research commissioned on the subject becomes available.

Staff will continue to develop their paper on this topic with the intention of it being considered at the next meeting.

Action: Staff

## Control in the Not-for-Profit Public and Private Sectors

Agenda Item 6

The Board had before it:

(a) a memorandum from Lisa Panetta and Clark Anstis dated 31 January 2012 (agenda paper 6.1);

(b) details of the Board's decisions from the December 2011 meeting, revised draft ED paragraphs and staff comments (agenda paper 6.2);

(c) draft ED Appendix D Australian Implementation Guidance, which included the draft implementation guidance paragraphs and examples (agenda paper 6.3); and

(d) a summary of the Aus paragraphs for AASB 10 that were tentatively suggested by staff at the December 2011 meeting (agenda paper 6.4).

The Board continued its consideration of issues relevant to developing an ED containing proposals to add NFP sector specific guidance to AASB 10 *Consolidated Financial Statements*. In particular, the Board considered revised draft ED paragraphs regarding:

(a) how some principal terms (including 'investor' and 'investee') used in AASB 10 would be applied in a NFP context; and

(b) implementation guidance that clarifies, from a NFP perspective:

  (i) the application of the elements of control (power, returns and variable returns);

  (ii) regulatory power and its relationship to protective rights and other substantive rights; and

  (iii) the principles relating to delegated power (including the notion of agent/principal), particularly in a public sector context.

The Board also considered a number of draft implementation examples intended to complement the guidance paragraphs and gave directions for improving their focus on the key issues that they are intended to illustrate.

In respect of the principles regarding whether parts of entities ('silos') should be consolidated and in respect of de facto agents, the Board decided not to propose additional implementation guidance since the issues did not seem to raise particular NFP questions. However, it will seek views on this issue through the ED.

Attachment A to these minutes records the Board's decisions on specific paragraphs and issues.

Board members expressed differing views on the appropriate location of the NFP sector paragraphs within AASB 10 and will reconsider this at the April 2012 meeting. The Board decided that the guidance should be expressed in a way that explains what an AASB 10 principle means in a NFP context.

The Board received a verbal report from Associate Professor Bryan Howieson addressing the findings from his research into control in the NFP public and private sectors. The results of his research will be incorporated into a paper for consideration by the Board at a future meeting.

The next meeting will consider any sweep issues arising from the first draft of the exposure draft to be prepared before the next meeting.

Action: Staff
Sub-committee
Sue Highland

## Proposed Minerals Resource Rent Tax

Agenda Item 7

The Board had before it:

(a) a memorandum from Nikole Gyles dated 31 January 2012 (agenda paper 7.1);

(b) an issues paper – Proposed Resource Rent Tax Bills: Review of December 2012 AASB Tentative Agenda Decisions (agenda paper 7.2); and

(c) comment letters relating to the Tentative Agenda Decisions received from Ernst & Young and Deloitte (agenda paper 7.3).

The Board reviewed the three Tentative Agenda Decisions it issued in December 2011 in the light of the comment letters received. After noting the importance of dealing with the issues addressed in all three Tentative Agenda Decisions in time for the 2011/12 financial year reporting season, the Board decided to finalise, without amendment, the following two Agenda Decisions:

(a) Scope of AASB 112 *Income Taxes*; and

(b) Substantive enactment of resource rent tax Bills.

The Board decided to clarify its Tentative Agenda Decision on 'Accounting for the starting base allowance market value uplift in the proposed resource rent tax Bills', by explicitly referring to recognised deferred tax assets that arise from adjustments to the tax base of an asset as follows (new text underlined):

> In considering this issue, the Board noted that the application of AASB 112 requires an entity to reflect an adjustment to the tax base of an asset due to an increase in the deductions available (resulting in future tax payments being smaller than if no uplift were to occur) as a deductible temporary difference giving rise to a recognised deferred tax asset to the extent it meets the recognition criteria in AASB 112.

The Board noted the IFRS Interpretations Committee has received two agenda item requests relating to the same issue and decided to monitor the Committee's deliberations to assess whether the Committee is likely to arrive at a timely resolution of the issue. The Board intends to confirm its amended Tentative Agenda Decision at its next meeting, unless unexpected considerations arise at the IFRS Interpretations Committee.

Action: Staff

## AASB 1049 – Fair Value of Defence Weapons Platforms

Agenda Item 8

The Board had before it:

(a) a memorandum from Shu In Oei and Jim Paul (agenda paper 8.1);

(b) staff analysis of arguments against measuring defence weapons platforms at fair value (agenda paper 8.2);

(c) letter from the Department of Defence dated 10 January 2012 regarding 'Fair Value Measurement of Defence Weapons Platforms' (agenda paper 8.3); and

(d) letter from the Department of Defence dated 3 February 2012 entitled 'Supplementary Submission: Fair Value Measurement of Defence Weapons Platforms' (agenda paper 8.4).

The Board considered a request from the Department of Defence that it amend AASB 1049 *Whole of Government and General Government Sector Financial Reporting* to state that the fair value of defence weapons platforms cannot be measured reliably. The effect of such an amendment would be that all defence weapons platforms (e.g. submarines, fighter planes and tanks) would be required to be measured using the cost model.

The Board observed that the request arose from the combined impact of AASB 1049 and recent amendments to the ABS GFS Manual to treat defence weapons platforms as assets measured at current value. In that regard, the Board noted that transitional relief for the effect of amendments to the ABS GFS Manual has been provided through AASB 2011-3 *Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments*.

The Board discussed the key issues raised in the request, including:

(a) the specialised nature of the defence weapons platforms;

(b) the infrequency of market transactions with which to observe market prices for defence weapons platforms or components thereof;

(c) concerns about the reliability of estimates of the depreciated replacement cost of defence weapons platforms (when applying the cost approach to measuring their fair value);

(d) the meaningfulness of revaluations of defence weapons platforms; and

(e) the costs and practical difficulty of measuring defence weapons platforms at fair value.

Some Board members raised the issue of whether it would be appropriate to revisit the requirement in AASB 1049 that requires Property, Plant & Equipment to be measured at fair value (applying the requirements of AASB 116) to align with the ABS GFS Manual on the basis that it might be too onerous. However, the Board noted that the request received deals with a specific request for exemption, not a broader review of AASB 1049, and that it had recently completed a post-implementation review of AASB 1049. Accordingly, the Board decided not to revisit AASB 1049 at this stage, noting that the current requirements in AASB 1049 are consistent with the FRC's strategic direction regarding the harmonisation of GAAP and GFS reporting.

In relation to the specific request, the Board decided that it would be inappropriate for AASB 1049 to be amended in the manner requested, noting AASB 1049 specifies that, if the fair value of an asset within the scope of AASB 116 *Property, Plant and Equipment* cannot be measured reliably, the asset is to be measured using the cost model. Assessment of that requirement is a matter for preparers and auditors. The Board agreed it should not rule on particular circumstances. The Board was also of the view that it would not be practical to open a general debate as to the meaningfulness of revaluing assets when that option is provided in Standards.

However, the Board directed staff to consult further on the complexity and magnitude of the fair value estimation task that would be required, to help determine whether transitional relief associated with the particular amendment to the ABS GFS Manual is warranted; that is, in addition to that already provided, as a result of recent due process, through AASB 2011-3.

The Board also considered uncertainties that were raised in the request about the classification of defence weapons platforms as property, plant and equipment or inventories in the ABS GFS Manual. The Board indicated that, under AASB 1049, the accounting requirements for classification and measurement prevail for financial reporting purposes, not those of the ABS GFS Manual, and so there would be no ramifications for the application of AASB 1049 from any such uncertainties.

Action: Staff

## IPSASB – Long Term Sustainability of Finances

Agenda Item 9

The Board had before it:

(a) a memorandum from Clark Anstis dated 31 January 2012 (agenda paper 9.1);

(b) IPSASB Exposure Draft ED 46 *Reporting on the Long-Term Sustainability of a Public Sector Entity's Finances* (October 2011) (agenda paper 9.2); and

(c) the AASB submission (April 2010) to the IPSASB on Consultation Paper *Reporting on the Long-Term Sustainability of Public Finances* (November 2009).

The Board decided to make a submission to the IPSASB on its ED. The Board expressed general support for the reporting of long-term fiscal sustainability information by entities, and identified a number of matters to be addressed in the submission, including:

(a) the relationship between the reporting of fiscal sustainability information, service performance reporting and the scope of general purpose financial reporting;

(b) the relevance of fiscal sustainability reporting to all entities – not just those that have the power to change their policies on the provision of goods and services or the raising of revenue in order to address negative trends in the entity's long-term fiscal sustainability – and potentially to segments or components of entities;

(c) replacing the reference to the annual updating of projections of inflows and outflows with reference to sufficient regularity of reporting so that the information does not become misleading;

(d) general requirements for the disclosure of changes to the bases adopted by an entity for the preparation and presentation of fiscal sustainability information;

(e) as the ED proposes the issuance of a Recommended Practice Guideline rather than a mandatory Standard, an effective date is unnecessary; and

(f) clarifying the use of GFS terms relative to IPSAS terms in the ED, where the terms coincide but their definitions differ.

The Board decided the Chairman should finalise the submission out of session.

Once the IPSASB has finalised its pronouncement, the Board will consider whether to develop an Australian document regarding the reporting of long-term fiscal sustainability information and, if so, the suitability of the IPSASB publication in an Australian context.

Action: Staff
Chairman

## IPSASB Report

Agenda Item 10

The Board had before it:

(a) a memorandum from Clark Anstis dated 31 January 2012 (agenda paper 10.1); and

(b) a report on the IPSASB meeting, December 2011 (agenda paper 10.2).

The Board received an update on the December 2011 meeting of the IPSASB from Mr Anstis and Mr Youngberry, the Australian member of the IPSASB. The Board discussed a range of issues and noted the following in particular:

(a) proposals for revised governance arrangements for the IPSASB are expected to be issued during 2012;

(b) the International Federation of Accountants (IFAC) has signed a Memorandum of Understanding with the IASB in relation to co-operation between the IPSASB (which is part of IFAC) and the IASB;

(c) progress on various IPSASB projects, including the Conceptual Framework (submissions received on various proposal documents were further considered, and a Consultation Paper on presentation (phase 4) was approved for issue), Entity Combinations (an issues paper addressing both acquisitions and amalgamations is being developed), and Financial Statement Discussion and Analysis (an Exposure Draft is expected to be approved for issue at the next meeting); and

(d) the IPSASB added to its work program a project to reconsider the definition of government business enterprises (GBEs) and their accounting requirements. Additional projects that might be added to the work program will be considered at the next meeting.

No decisions were made. The Board noted that future IPSASB meeting reports relating to strategic matters prepared by AASB staff would also be provided to the FRC Public Sector Taskforce.

## Financial Instruments

Agenda Item 11

The Board had before it:

(a) a memorandum from Sue Lightfoot dated 31 January 2012 re: Financial Instruments: New Standards, Hedge accounting & Improvements to IFRS 9 (agenda paper 11.1);

(b) a memorandum from Christina Ng dated 31 January 2012 re: Financial Instruments Impairment – project update (agenda paper 11.2); and

(c) presentation slides relating to the IASB Financial Instruments Impairment project (agenda paper 11.2.1, tabled).

The Board received an update on the IASB and FASB financial instruments project.

**December 2011 Amendments**

The Board noted that the IASB has amended IFRS 9 *Financial Instruments* to defer its mandatory effective date to annual periods beginning on or after 1 January 2015 (previously 1 January 2013). Early adoption continues to be permitted. Consequently, IFRS 7 *Financial Instruments: Disclosures* has been amended to require disclosures on transition to show the impact of reclassification, rather than restating comparatives (subject to specific rules according to transition date). Since those new disclosures had not previously been exposed for comment, the Board decided a draft AASB Amending Standard incorporating the new IASB transition disclosure requirements should be made available for a 30-day public comment period.

The Board also noted that Application Guidance on offsetting has been added to IAS 32 *Financial Instruments: Presentation* to clarify the meaning of 'currently has a legally enforceable right of offset' and to confirm that some gross settlement systems may be equivalent to net settlement. The mandatory effective date is annual periods beginning on or after 1 January 2014, with early adoption allowed.

Furthermore, the Board noted that IFRS 7 has been amended to require disclosures to enable users to evaluate the effect or potential effect of netting arrangements and rights of set-off on an entity's statement of financial position. The mandatory effective date is annual periods beginning on or after 1 January 2013. Early adoption is permitted. If the amendments to IAS 32 are adopted early, the disclosures relating to offsetting in IFRS 7 are required.

It was noted that staff are in the process of preparing ballot drafts of Amending Standards to amend AASB 7, AASB 9 and AASB 132 to reflect the recent changes to IFRSs for voting by the Board.

**Hedge Accounting**

In relation to general hedge accounting, the Board noted that an IASB staff draft of a revised IFRS 9 is scheduled to be made available in Q1 2012 and AASB staff will review that draft for any issues that may need to be considered by the Board.

In relation to macro hedge accounting, the Board noted that the IASB, at its January 2012 meeting, continued to discuss the twelve steps identified in paper 7A of the November 2011 IASB meeting in respect of valuing a hedged risk position and expressed a preference for changing the accounting for the risk position rather than changing the measurement of the hedging instruments. The Board will continue to monitor the IASB's work.

**Improvements to IFRS 9**

The Board noted that, at their January 2012 meeting, the IASB and the FASB agreed to work together to seek to reduce differences between the two Boards' models for the classification and measurement of financial instruments, and to confine that work to the instrument characteristics test, bifurcation of financial assets and expansion of the use of other comprehensive income (OCI) for debt instruments, plus any consequential effects. The Board will continue to monitor the IASB's work.

**Impairment**

The Board received an update on the IASB and FASB tentative decisions relating to an impairment approach based on the general deterioration of credit quality that would require entities to categorise financial assets into three 'buckets'. The Board noted that:

(a) originated and purchased financial assets, other than those purchased at a deep discount, would be:

    (i) categorised into bucket 1 at inception. The objective and measurement in bucket 1 would be to capture lifetime losses when a loss event is expected in the next 12 months; and

    (ii) transferred from bucket 1 to bucket 2 (for those managed in a portfolio) or bucket 3 (for those managed individually) when the likelihood of losses deteriorate to a level that is 'more than insignificant' and the likelihood of default increases at a more accelerated level from inception. Lifetime losses would be recognised when these financial assets are transferred from bucket 1 to buckets 2 or 3 (if not already recognised); and

(b) financial assets purchased at a deep discount due to incurred credit losses would be categorised at inception into bucket 2 (if managed in a portfolio) or bucket 3 (if managed individually). These financial assets would be measured based on expected cash flows, not contractual cash flows, and accordingly, they would not recognise a separate impairment loss at inception when initially categorised in buckets 2 or 3. Any subsequent unfavourable change in expected cash flows would be recognised as impairment loss. Any improvements to expected cash flows would be recognised immediately in profit or loss as an adjustment to impairment expense, even when such changes exceeded the amount of impairment loss recognised by the acquiring entity.

The Board noted that aspects of the approach, such as accounting for impairment reversals on originated and purchased financial assets, other than those purchased at a deep discount, have yet to be deliberated by the IASB and FASB, and decided there is no need to express concerns to the IASB about the tentative decisions at this stage. The AASB will continue to monitor the IASB's work.

Action: Staff

## Service Performance Reporting

Agenda Item 12

The Board had before it:

(a) a memorandum from Mischa Ginns and Lydia Kilcullen re Service Performance Reporting (agenda paper 12.1);

(b) Positioning Paper – Service Performance Reporting (agenda paper 12.2);

(c) Context Paper – Service Performance Reporting Project (agenda paper 12.3); and

(d) Working draft of a staff paper – *The identification of users and user needs in relation to service performance reporting* (provided as an illustration only) (agenda paper 12.4).

The Board considered agenda papers 12.2 and 12.3, which are high-level papers designed to establish a sound basis for progressing the project to its next stage – the identification of possible principles for service performance reporting.

The Board noted that the Positioning Paper explores the broad notion of performance and its relationship to performance information and service performance information within general purpose financial reporting (and therefore within the scope of the Conceptual Framework). The Board also noted in relation to the Positioning Paper, the difficulties in clearly distinguishing between performance information and performance information within general purpose financial reporting and acknowledging that users want holistic information. In the interest of providing pragmatic boundaries to the Board's future work on this topic within the context of general purpose financial reporting, the Board decided to proceed on the basis that:

(a) performance information (which includes service performance information) within general purpose financial reporting is bounded by parameters identified in the Conceptual Framework. Those parameters are:
    (i) the target of analysis (i.e. the entity); and
    (ii) the objective of reporting (i.e. to provide information that meets the common information needs of users for making decisions about an entity that involve the allocation of scarce resources); and
(b) a parameter for particularly constraining information about service performance within general purpose financial reporting is 'the information about the entity's performance in providing goods and services' that relates to an entity's performance against its specified objectives.

The Board noted that the Context Paper addresses fundamental issues pertinent to progressing the project. In relation to that paper, the Board decided to proceed on the basis that:

(a) the scope of the project should remain limited to private sector NFP entities at this stage, to keep the project reasonably manageable;

(b) the current AASB Conceptual Framework is suitable for private sector NFP entities and should be used as a basis for developing principles of service performance reporting, having regard to the IASB Conceptual Framework and the emerging IPSASB Conceptual Framework. Although the current AASB Conceptual Framework has an economic focus, the term 'economic' has a broad meaning that extends beyond the notion of profit as it also encompasses notions of scarce resources and inflows and consumptions of scarce resources. Furthermore, consistent with the objective of financial statements within the AASB Conceptual Framework, and to address concerns expressed by some about the relationship between decision making and accountability, the Board decided that economic decision making should be described as including accountability;

(c) it is not the role of this project to distinguish financial and non-financial information − rather the principles should be developed with a focus on providing information that meets the common information needs of users;

(d) not to wait for the IPSASB to progress its project on Reporting Service Performance Information. However, the Board requested the project team to continue to review IPSASB papers on the topic as they become available, and when appropriate continue to consider them when developing its thoughts and ideas;

(e) the findings from the project team's research should be used as one of the benchmarks for the possible principles of service performance reporting that are being developed rather than aiming to codify current practice;

(f) the project team should undertake further analyses in future principles papers to determine:

   (i) whether service performance reporting should encompass reporting information on resources, inputs, outputs and outcomes (some Board members particularly noted that despite acknowledging that users might be interested in information about outcomes, such information might be beyond the scope of the type of information about which the Board is intending to develop principles);

   (ii) the relationship between service performance reporting and the financial statements and how this project will link to management commentary; and

   (iii) the nature of the guidance and the types of entities that might be required to comply with the principles and whether a 'through-the-eyes-of-management' approach may be appropriate (this should include consideration of the rationale for such an approach in the context of AASB 8 *Operating Segments* and whether that same rationale is relevant in the context of Service Performance Reporting); and

(g) there is a presumption that the Board's role is to develop service performance reporting principles – and a challenge is to determine the scope of those principles.

Board members were asked to provide any specific comments they have on agenda paper 12.4 to the project team out-of-session.

The Board decided to invite the Australian Charities and Not-for-profits Commission (ACNC) to nominate a member for the Board's Service Performance Reporting project Sub-committee.

Action: Project team
Board Members

## Revenue from Contracts with Customers

Agenda Item 13

The Board had before it:

(a) a memorandum from Nikole Gyles dated 31 January 2012 (agenda paper 13.1);

(b) an issues paper – ED/2011/6 *Revenue from Contracts with Customers* (agenda paper 13.2); and

(c) comment letters received on ED 222 *Revenue from Contracts with Customers* (agenda paper 13.3, tabled).

The Board considered issues to be included in its submission on IASB ED/2011/6 *Revenue from Contracts with Customers*, having regard to the submissions received on AASB ED 222 *Revenue from Contracts with Customers.* The Board decided to express broad support for the proposals in ED/2011/6, whilst noting its concerns on some specific aspects, including:

(a) the way the proposals are expressed in paragraphs 31-35 of the ED. The Board particularly expressed concern that there remains a lack of clarity around the concept of control expressed in the ED;

(b) presenting credit risk in profit or loss as a separate line item adjacent to the revenue line item. The current presentation proposals, although a significant improvement on the proposals in ED/2010/6, imply a nexus with current period revenue that would often not be valid;

(c) the proposed 'reasonably assured' constraint on the amount of revenue that an entity would recognise for satisfied performance obligations when consideration is variable;

(d) the proposed scope of the onerous performance obligations test and its inclusion in a Standard on revenue. The Board specifically does not agree with limiting the onerous test to those obligations that the entity expects to satisfy over a period of time greater than one year; and

(e) the disclosures required for interim financial reports. The Board believes that such amendments should be made by revisiting the requirements of IAS 34 *Interim Financial Reporting* as a whole at a principles-based level.

The Board agreed to finalise the submission to the IASB out of session via a sub-committee consisting of Anna Crawford, John O'Grady, Carmen Ridley, Brett Rix and Kevin Stevenson. The submission will be provided to the whole Board for review out of session if any additional significant issues are identified prior to finalisation.

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| Action: | Staff<br>Sub-committee |

## Leases

Agenda Item 15

The Board had before it a memorandum from Nikole Gyles dated 31 January 2012 (agenda paper 15.1).

The Board received an update on the tentative decisions made by the IASB and the FASB in their December 2011 meeting on the Leases project. The Board concluded that, whilst it has concerns about some aspects of the recent decisions, none of those decisions gave it cause to write to the IASB at this stage, given the IASB's decision to re-expose the Leases proposals in the first half of 2012. The Board will continue to monitor the project.

## Reduced Disclosure Regime – Tier 2 Amendments to Standards

Agenda Item 16

The Board had before it:

(a) a memorandum from Nikole Gyles dated 31 January 2012 (agenda paper 16.1);

(b) a memorandum from Mischa Ginns re Reduced Disclosure Requirements – AASB ED 219 'AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13:* Tier 2 Proposals' (agenda paper 16.2);

(c) Submissions received on Tier 2 AASB ED 219 (agenda paper 16.3);

(d) Staff Paper − Consideration of constituents' responses to AASB ED 219 (agenda paper 16.4);

(e) Tier 2 AASB ED 219 (agenda paper 16.5);

(f) Analysis of Disclosure Requirements in AASB 13 *Fair Value Measurement* (September 2011) and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* that accompanied AASB ED 219 (agenda paper 16.6).

(g) a memorandum from Sue Lightfoot dated 31 January 2012 re: IFRS 9 Transition Disclosures and Tier 2 (agenda paper 16.7);

(h) a memorandum from Sue Lightfoot dated 31 January 2012 re: Offsetting Disclosures and Tier 2 (agenda paper 16.8);

(i) IFRS *Disclosures – Offsetting Financial Assets and Financial Liabilities* (agenda paper 16.8.1); and

(j) Comments received on ED 209 *Offsetting Financial Assets and Financial Liabilities* [subs 1-6] (agenda paper 16.8.2);

**Specific Disclosure Requirements relative to General Disclosure Requirements**

The Board considered the issue of whether, as a general approach, it should exclude from Tier 2 requirements those disclosure requirements in specific Standards that might be regarded as overlapping general disclosure requirements in other Standards. The Board's discussion focused on circumstances in which specific disclosures relating to significant judgements and assumptions might be perceived as *additional* to related general disclosures. The Board noted two possible approaches to the issue, either:

(a) presume specific disclosures relating to significant judgements and assumptions are excluded from Tier 2 requirements unless those disclosures are considered to be critical in the context of financial statements as a whole; or

(b) apply the Tier 2 Disclosure Principles relating to costs versus benefits to each specific disclosure and assess whether to retain or exclude the disclosure on a case-by-case basis.

The Board directed staff to prepare an analysis of examples applying these approaches for the next Board meeting, as a basis for the Board to decide the appropriate approach.

Action: Staff

**Reduced Disclosure Requirements - ED 219**

The Board considered the submissions received on AASB ED 219 and based on the staff's rationale in agenda paper 12.3, decided to make the following amendments to the proposals:

(a) retain paragraphs B64(g), B64(o)(ii) and B64(p) of AASB 3 *Business Combinations*, which require disclosures relating to contingent consideration arrangements and indemnification assets, the fair value of non-controlling interests and business combinations achieved in stages, respectively; and paragraph 78 of AASB 140 *Investment Property*, which requires disclosure of information when, in exceptional circumstances, investment property is measured at cost;

(b) delete paragraph RDR27.1 of AASB 7 *Financial Instruments: Disclosures*, which proposed disclosure of the basis for determining fair value and the assumptions applied in determining fair value when a valuation technique is used; and

(c) exclude the proposed new first sentence of paragraph 28 of AASB 7, which relates to disclosures that arise from not recognising a gain or loss on initial recognition of a financial instrument measured at fair value.

The Board decided not to change the proposal in AASB ED 219 regarding paragraph 95 of AASB 13, which requires entities to disclose and consistently follow its policy for determining when transfers between Level 1 and Level 2 and into or out of Level 3 of the fair value hierarchy are deemed to have occurred (i.e. this paragraph should be excluded from Tier 2 disclosure requirements based on the rationale in AASB ED 219).

A pre-ballot draft reflecting the above decisions will be sent to Board members prior to a ballot draft being circulated for out-of-session voting.

Action: Staff
Board Members

**IFRS 9 Transition Disclosures**

The Board considered whether the disclosure requirements for Tier 2 entities in respect of *Mandatory Effective Date and Transition Disclosures* (Amendments to IFRS 9 and IFRS 7) should be consistent with the requirements for Tier 1 entities.

The Board decided to include a proposal in the draft AASB Amending Standard to be made available for public comment (see item 11 above, under the sub-heading 'December 2011 amendments') that the Tier 2 requirements should be the same as for Tier 1.

**Offsetting Disclosures**

After considering the comment letters (agenda paper 16.8.2), the Board reconfirmed its earlier decision that, consistent with the proposals in AASB ED 209 *Offsetting Financial Assets and Financial Liabilities*, Tier 2 entities need not comply with the disclosure requirements in respect of offsetting of financial assets and financial liabilities included in IFRS *Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7). The decision is based on the reasoning in paragraph 5 of the Tier 2 Disclosure Principles; that is, based on 'user need' and 'cost-benefit'.

Action: Staff

## Materiality

Agenda Item 17

The Board had before it:

(a) a memorandum from Gunter Leng (agenda paper 17.1);

(b) staff paper: Review of AASB 1031 *Materiality* (agenda paper 17.2);

(c) comparison between AASB 1031 and IFRSs (agenda paper 17.3);

(d) European Securities and Markets Authority (ESMA): Consultation Paper *Considerations of materiality in financial reporting* (agenda paper 17.4); and

(e) draft AASB staff comments on questions in ESMA Consultation Paper (agenda paper 17.5).

**Review of AASB 1031**

The Board considered whether AASB 1031 remains necessary in light of the guidance on materiality in other Australian Accounting Standards and the revised IASB Conceptual Framework, which is to be incorporated into the AASB Conceptual Framework. The Board decided to issue for sixty-day comment an ED proposing to withdraw AASB 1031 and, consequently, 'Aus' application paragraphs in other Australian Accounting Standards that refer to AASB 1031. The Board noted that it would not expect the withdrawal of AASB 1031 to change practice regarding the application of materiality in financial reporting and would be making that clear in the ED. The proposed withdrawal is simply to achieve consistency with a policy of not providing unnecessary local guidance on matters covered by IFRSs.

The Board decided that a ballot draft ED be circulated out of session.

Action: Staff

**ESMA Consultation Paper (CP) on Materiality**

The Board considered a CP on the application of materiality in IFRS-compliant financial statements issued by ESMA, a European Union body that aims to foster supervisory convergence among European securities regulators. The Board decided to write to ESMA to express concern that issuing guidance on the issues raised in the CP could effectively re-interpret the wording of IFRSs and the IASB Conceptual Framework. The Board directed staff to point out the most significant examples in the CP of such re-interpretation and of discussing matters that go beyond materiality.

The Board directed staff to discuss the ESMA CP with staff of the Australian Securities and Investments Commission in the process of preparing the Board's comment letter. The Board decided that the comment letter is to be approved by the Chairman.

Action: Staff
Chairman

## Australian Charities & Not-for-profit Commission (ACNC) Implementation Design Discussion Paper

Agenda Item 18

The Board had before it:

(a) a memorandum from Mischa Ginns re ACNC Implementation Design Discussion Paper (agenda paper 18.1);

(b) Staff Paper − Discussion Paper *Australian Charities and Not-for-profits Commission: Implementation design* (agenda paper 18.2); and

(c) Discussion Paper *Australian Charities and Not-for-profits Commission: Implementation design* (agenda paper 18.3).

The Board decided to make a submission to the ACNC Implementation Taskforce on its Discussion Paper (DP) and decided that a copy of the submission should also be provided to Treasury because of the interrelatedness of Treasury's ED *Australian Charities and Not-for-profits Commission Bill 2012* and the DP. The submission should focus on issues particularly related to financial reporting.

The Board decided its submission should:

(a) commend the Taskforce's efforts in developing proposals relating to a new reporting framework for charities;

(b) explain the general purpose financial reporting framework that has been developed by the Board (including Tier 2 Reduced Disclosure Requirements, the types of entities for which the framework has been developed, and the relationship between general purpose financial reporting and special purpose financial reporting) and the current requirements under Corporations Law (such as relief from reporting granted to wholly-owned subsidiaries and ASIC requirements for special purpose financial reporting), with a view to assisting the Taskforce in its consideration of requirements for the three Tiers contemplated in the DP. The explanation should also include the current use of reporting entity notion in Statement of Accounting Concepts (SAC) 1 *Definition of the Reporting Entity* and the Board's emerging thinking regarding deregulation;

(c) highlight some of the issues in establishing Tiers for proportional reporting based on an entity's revenue, and note that the AASB's project *Income of Not-for-Profit Entities* is expected to revise revenue recognition requirements for NFP entities, which may have significant implications for the amount of revenue recognised by entities and therefore impact on the revenue thresholds contemplated for differentiating between Tiers. It would also be helpful for the draft legislation to clarify whether it is intended that revenue be calculated based on 'recognised revenue' and consolidated information and clarify the requirement when an entity is allowed to adopt the cash basis of accounting for calculating revenue;

(d) recommend the ACNC Taskforce consider establishing requirements for publishing information outside of general purpose financial reports, whether financial or non-financial, having regard to 'user needs' and 'cost-benefit' considerations;

(e) recommend to the ACNC Taskforce:

(i) consistent with (d) above, the type of information that is to be required in the Annual Information Statements be based on an underlying principle, such as the principle used by the AASB in determining the Tier 2 disclosure requirements (i.e. 'user needs' and 'cost-benefit' considerations);

(ii) it identify users of reported information by charities and refer to these consistently, where the users are intended to be the same;

(iii) the definition of 'accounting standard' be consistent with the definition in the Treasury's ED and if this is not done, then the definition adopted should more accurately describe 'accounting standards'; and

(iv) that if Standard Business Reporting and Standard Chart of Accounts taxonomies are to be adopted, they should align with Australian Accounting Standards and would need to be kept up to date with any changes to Australian Accounting Standards; and

(f) remind the ACNC Taskforce of the Board's work on its *Service Performance Reporting* project and the Board's willingness to work with the ACNC in this regard.

The Board's submission should be finalised out of session by the Sub-committee comprising Ian McPhee, Liane Papaelias, Kris Peach and Carmen Ridley and cleared through the Chairman. Given the nature of the submission, the Board decided that staff should offer to meet with the Taskforce to explain some of the technical suggestions that will be made in the submission.

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| Action: | Staff<br>Sub-committee<br>Chairman |

## Emerging Issues

Agenda Item 19

In addition to those issues addressed in this meeting's agenda, Board members identified the following matters for possible consideration by the AASB:

(a) work by the Bureau of Meteorology on accounting for the environment; and

(b) possible IFRIC developments in relation to Rate Regulated Activities.

The Board also noted that roundtables relating to Superannuation are scheduled for April.

## Review

Agenda Item 20

The Board:

(a) accepted the revised membership of sub-committees as proposed (agenda paper 3.2.1);

(b) noted that the Chairman and staff would develop a draft business plan with input from the AASB Business Planning sub-committee. The plan is expected to be considered at the June 2012 AASB meeting; and

(c) encouraged staff to consider a more specific timeline for the development of Australian guidance for Grantor Accounting for Service Concession Arrangements. The project will include clarifying HoTARAC's concern re IPSAS 32 *Service Concession Arrangements: Grantor*. The timing would be subject to availability of resources.

Action: Staff

## Close of Meeting

The Chairman closed the meeting at approximately 4.00 p.m. on Thursday 16 February 2012.

## Approval

Signed by the Chairman as a correct record
this eighteenth day of April 2012

## Attachment A

## Control in the NFP Public and Private Sectors

Agenda Item 6

Detailed decisions made by the Board in relation to agenda paper 6.2 *Detailed AASB Decisions (December 2011) and Draft ED Paragraphs*

| Subject of paragraph suggested by staff | Board's Decision |
|---|---|
| Aus4.3 (Dec 2011), which addressed circumstances in which a parent in a group is not explicitly identified. | The Board noted that this issue is not specific to NFP entities. The Board also noted that AASB 10 requires a parent to present consolidated financial statements. Furthermore, AASB 3 *Business Combinations* requires an acquirer to be identified in any combination. Accordingly, the Board decided that it is not necessary to include the Aus paragraph in AASB 10 and that the Basis for Conclusions should explain why the AASB 127 Aus paragraph has not been retained. |
| IG1, which addresses the concern that AASB 10 uses terms that are for-profit oriented. | The Board in general preferred that the wording of paragraph IG1(a) should clarify the terms 'investor' and 'investee' by referring to 'a relationship' (rather than 'an operating relationship' or 'a business relationship') in which control might arise.<br>The Board considered that the NFP implementation guidance paragraphs could be cross-referenced to the related AASB 10 paragraphs to indicate that the implementation guidance is consistent with AASB 10. For example, paragraph IG1(b) could be referenced to paragraph B57(c). |
| IG2, which addresses an investor's power to direct the investee to pursue the investor's objectives. | The Board discussed the nature of returns in the NFP sector, when the investor might receive only indirect returns through having similar objectives as the investee. The Board considered that similarity of objectives does not necessarily result in control. To have control, the investor would need to have power to affect the variable returns of the investee (as stated in paragraph IG2).<br>Consistent with a furtherance notion, the Board decided to amend the words in brackets from 'in providing goods and services that are consistent with the investor's objectives' to 'in providing goods and services that assist in achieving the investor's objectives'.<br>The Board decided that the last sentence of paragraph IG2 should be included in a separate paragraph, with further reference to the |

| Subject of paragraph suggested by staff | Board's Decision |
|---|---|
| | investor having to have power over the investee.<br><br>The Board discussed the paragraph in respect of the relationship between a trust and its trustee and the circumstances where power might exist in the absence of benefits. Board members had a range of views and no consensus was reached. For example, some Board members take the view that a trustee acts only on behalf of the beneficiaries and cannot control the trust. Other Board members took the view that a trust may be controlled by an entity other than the trustee or the beneficiaries. |
| Aus7.2 (Dec 2011), which addressed situations in which an investor may not have power due to the existence of separate administrations. | The Board confirmed its previous decision that draft paragraph Aus7.2 would not be retained. |
| IG3, which notes that power may be obtained from extant statutory or other arrangements. Power does not arise if the passage or changing of legislation, or the renegotiation of agreements, is required. | The Board noted paragraph B24 states that sometimes rights can be substantive even if not currently exercisable, and discussed how that principle applied to a government's ability to pass or change legislation.<br><br>Members took the view that the power of legislatures and other NFP public sector entities should be assessed on the basis of current legislation, on the grounds that powers under substantively enacted legislation or the ability to enact legislation in the future do not result in any ability to direct the relevant activities of an investee – enactment by parliament is required for that to potentially arise. An investee would be unable to alter its relevant activities based on the anticipated legislation if that would be contrary to current legislation.<br><br>Members discussed whether this view is consistent with paragraph B24, and considered that paragraph allows a conclusion that particular rights could be substantive only if they are currently exercisable. Members agreed that an authoritative paragraph would resolve any question of inconsistency.<br><br>Members noted that the draft paragraph IG3 also addresses non-statutory arrangements and agreements, which would be relevant to both NFP public sector entities and NFP private sector entities. Members agreed that the paragraph should not deal with non-statutory arrangements and agreements. |

| Subject of paragraph suggested by staff | Board's Decision |
|---|---|
| IG13, which notes that a NFP entity's exposure or rights to variable returns may be indirect rather than direct and provides an example. | The Board confirmed its previous decision to delete the former draft paragraph Aus15.1. The Board noted the amendments made to paragraph IG13 to ensure consistency with paragraph 15 of AASB 10.<br>The Board decided that the reference at the end of the paragraph to the satisfaction of the investor's objectives should be revised to be consistent with the reference to the furtherance of objectives in paragraph IG1. |
| IG4, which addresses power where an investor establishes an investee. | The Board noted the amendments to the paragraph to reflect Board decisions at the December 2011 meeting. The Board discussed the potential need for the paragraph to refer to paragraph IG3 regarding extant legislation. |
| IG5 and IG12, which note that an investor may not hold power over an investee due to the rights of other parties and that economic dependence may not give the investor power over the investee. | Members discussed the draft implementation examples concerning local governments (Example IG2) and universities (Example IG3), and expressed a range of views concerning how comprehensive they should be, including the extent to which they should address the various components of control, rather than just the particular aspects covered in the present draft.<br>Members generally supported making the examples more comprehensive, to identify more clearly the relevant activities of the local government and the university in the examples and the parties that may have power in relation to those activities, including the local government and the university themselves. This would include considering the nature of the returns to the parties involved. The examples should explicitly state that the activities listed are presumed to be relevant activities, and should include a caveat that under other circumstances a different conclusion might be reached. |
| Example Aus1.1 (Dec 2011), which provided an example of determining who controls an investee when two or more investors have the ability to direct the relevant activities of an investee. | The Board noted that this example had been replaced by Example IG4, which sought to distinguish a Minister delegating power over, or control of, a statutory authority to a Department. Members considered the example in conjunction with paragraph IG15 and decided that the example should be revised in consultation with the Board's sub-committee. |

| Subject of paragraph suggested by staff | Board's Decision |
|---|---|
| IG6, which provides examples of rights that may give power to a NFP entity. | The Board noted the amendments to the paragraph (including deleted examples) to reflect the Board decisions at December 2011 – the deleted examples are now covered by other paragraphs. |
| IG7, which notes that power over an investee may exist even in the absence of being responsible for the day-to-day management of the operations of the investee. | The Board noted the amendments to the paragraph to reflect the Board decisions at December 2011, relating to the reference to control of an independent statutory office and consolidation at the whole of government level. |
| Example IG1, which illustrates when one entity might have power over another. | The Board directed staff to make minor amendments to clarify the example. |
| AusB19.1 (Dec 2011), which stated that an indicator of power in the NFP sector includes the investee being accountable to the investor. | The Board confirmed its previous decision that the draft paragraph AusB19.1 would not be retained. |
| IG8, which notes that political barriers are a factor to be considered in determining whether rights are substantive. | The Board supported amendments to the paragraph to clarify that political barriers to the exercise of rights do not prevent those rights from being substantive. |
| Example Aus3.1 (Dec 2011), which provided a public sector example of the determination of whether rights are substantive rights even though the rights are not currently exercisable. | The Board confirmed its previous decision that example Aus3.1 would not be retained, noting that paragraph IG3 now covers substantive enactment of legislation. |
| IG9, which notes that NFP entities may hold protective rights in the form of regulatory powers that do not constitute control even though they restrict the way the regulated entity operates. | The Board supported the amendments to the paragraph that regulatory powers may represent either protective or substantive rights, depending on facts and circumstances. |
| IG10, which notes that protective rights may be held by a NFP entity to protect the interests of the public or | The Board noted the amendment to the paragraph to reflect the Board decisions at December 2011 – in particular, the additional sentence explaining protective rights in terms of paragraph B27. |

| Subject of paragraph suggested by staff | Board's Decision |
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| the beneficiaries of the entity. | |
| IG11, which provides examples of protective rights in the NFP sector. | The Board noted the amendment to the paragraph to reflect the Board decisions at December 2011 – in particular, the further sentence added to paragraph IG11(d) to illustrate when the trust's rights may be substantive. The Board decided that consistent terminology should be used throughout the implementation guidance, such as 'distribute' or 'pass' in the context of the distribution of net assets to a charity with similar objectives. |
| IG14, which notes that returns in the NFP sector may be non-financial in nature. | The Board noted the amendment to the paragraph to reflect the Board decisions at December 2011 – in particular, removing the reference to financial returns, as they are already addressed in paragraph B57. |
| IG15, which addresses agency, delegated power and delegated control issues. | The Board discussed this paragraph and Example IG4, which was intended to illustrate the relationship between a statutory body and its Minister and the Minister's department.<br>Members noted the difficulty of distinguishing whether a department acted as an agent of the Minister or as a principal based on control of the statutory body delegated by the Minister, with some members taking the view that the scope of the powers delegated by the Minister – broad v. narrow – could be the determinant. Members agreed that the sub-committee should reconsider the issues, after obtaining input from Robert Williams and Sue Highland. |

In addition, the Board discussed a number of issues not addressed in the draft ED paragraphs:

| AASB 10 paragraphs | Board's Decision |
|---|---|
| Paragraphs B73 – B75 of AASB 10, which address relationships with other parties in determining whether the other parties are 'de facto agents' and acting on the investor's behalf. | The Board questioned whether de facto relationships would be common in the NFP sector. The Board decided a NFP sector paragraph is not required, however, the ED should seek input from constituents on any issues concerning de facto agents, including whether the examples relating to the issue in AASB 10 are suitable in a NFP context. |
| Paragraphs B76 – B79 of AASB 10, which address control of specified | The Board decided that NFP sector guidance is not required, |

| AASB 10 paragraphs | Board's Decision |
|---|---|
| assets – whether an investor should treat a portion of an investee as a deemed separate entity and whether the investor controls the deemed separate entity. | because identifying deemed separate entities raises the same issues in NFP and for-profit sectors. |