



Subject: Minutes of the 119th meeting of the AASB
Venue: Ken Spencer Room, AASB offices
Level 7, 600 Bourke St, Melbourne
Time(s): Wednesday 7 September 2011 from 9.00 a.m. to 5.30 p.m.
Thursday 8 September 2011 from 8.30 a.m. to 1.10 p.m.

All agenda items except items 1 and 23 were discussed in public.

Attendance

Members
Kevin Stevenson (Chairman)
Ian McPhee (Deputy Chair)
Kris Peach (Deputy Chair)
Glenn Appleyard
Victor Clarke
Anna Crawford (day 1)
Michele Embling
Jayne Godfrey
Sue Highland
John O'Grady
Brett Rix
Roger Sexton
Robert Williams

Apologies
Anna Crawford (day 2)

In Attendance:
Staff
Clark Anstis (in part)
Peter Batten
Mischa Ginns (in part)
Nikole Gyles (in part)
Ahmad Hamidi Ravari (in part)
Robert Keys
Christina Ng (in part)(by telephone)
Shu In Oei (in part)
Lisa Panetta (in part)
Jim Paul (in part)
Huy Pham (in part)
Angus Thomson (day 2)

Other
Dr Peter Carey (Item 19)
Dr Brad Potter (Item 19)
Dr George Tanewski (Item 19)



Agenda and Declaration of Interests

Agenda Item 1

Declarations of Interest

Members indicated that, in the normal course of their day-to-day professional responsibilities, they deal with a broad range of financial reporting issues. Members have adopted the standing policy in respect of declarations of interest that a specific declaration will be made where there is a particular interest in an issue before the Board. Brett Rix advised that his employer may be affected by any accounting implications of a Minerals Resource Rent Tax.

Apologies, Minutes and Matters Arising from Minutes

Agenda Item 2

Apologies

Apologies were noted for Anna Crawford (day 2).

Minutes

The Board approved the minutes of the one hundred and eighteenth meeting held on 13 and 14 July 2011, subject to correcting on which day Jayne Godfrey was an apology.

Chairman's Report

Voting on Standards

The Chair advised Board members that documents are made at the later of the date by which members are asked to vote or the date on which the requisite number of positive votes to issue a document have been received. The Office will continue to take and record votes later than that date, as a matter of record.

IASB liaison

Ian Mackintosh, IASB Deputy Chair, recently visited Australia and New Zealand and held about 30 meetings with constituents. The AASB Chair was present for about 17 of these meetings. Issues raised included leases, comprehensive income (and underlying earnings/OCI), investment entities, consolidation, debt vs equity, Greek bonds, application dates, role of regional groups and IASB Board membership. Mr Mackintosh is expected to return in November for the AOSSG annual meeting.

Regulation of Charities

The Chair advised that Susan Pascoe has been appointed Interim Chair of the Implementation Taskforce for the Australian Charities and Not-for-profits Commission. There was brief discussion of matters that might be relevant to reporting by charities.

Approvals out of session

The Board had before it a Voting Summary (agenda paper 2.2, tabled).

The Board noted that, since last advised as at 8 July 2011, it has approved the following Standards:



Effective from 1 July 2011

- (a) AASB 2011-5 *Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation*

Effective from 1 July 2012

- (b) AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*

Effective from 1 January 2013

- (c) AASB 10 *Consolidated Financial Statements*;
- (d) AASB 11 *Joint Arrangements*;
- (e) AASB 12 *Disclosure of Interests in Other Entities*;
- (f) AASB 127 *Separate Financial Statements*;
- (g) AASB 128 *Investments in Associates and Joint Ventures*;
- (h) AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*;
- (i) AASB 13 *Fair Value Measurement*;
- (j) AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*;
- (k) AASB 119 *Employee Benefits*; and
- (l) AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*.

Effective from 1 July 2013

- (m) AASB 2011-6 *Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements*; and
- (n) AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements*.

Also, the Board noted that, since last advised, it has approved the following consultation documents:

- (a) ED 214 *Extending Related Party Disclosures to the Not-for-Profit Public Sector*, open for comment until 31 January 2012;
- (b) ED 216 AASB 12 *'Disclosure of Interests in Other Entities': Tier 2 proposals*, open for comment until 30 November 2011;
- (c) ED 217 AASB 127 *'Separate Financial Statements': Tier 2 proposals*, open for comment until 30 November 2011;
- (d) ED 218 *Presentation of Items of Other Comprehensive Income: Tier 2 Proposals*, open for comment until 5 December 2011; and
- (e) ED 219 AASB 13 *'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13': Tier 2 Proposals*, open for comment until 5 December 2011.



In addition, the Board noted that the following documents were issued under its delegated authority for the staff/Chairman to issue IASB consultation documents where there is no significant additional Australian material:

- (a) ED 215 *Mandatory Effective Date of IFRS 9*, open for comment until 7 October 2011; and
- (b) ITC 25 *Request for Comment on IASB Request for Views on Agenda Consultation 2011*, open for comment until 10 November 2011.

Other Business

Agenda Item 3

The Board had before it:

- (a) a letter from Grant Hehir, Chair, HoTARAC to AASB Chairman dated 22 July 2011 re Priority Public Sector Accounting Issues 2011-13 and a reply from AASB Chairman dated 5 August 2011 (agenda paper 3.1);
- (b) a memorandum from Peter Batten and Robert Keys dated 23 August 2011 re: Work Program and Submissions Pipeline (agenda paper 3.2);
- (c) Summary of AASB Work Program (Prepared August 2011) (agenda paper 3.2.1);
- (d) Detailed AASB Work Program (Prepared August 2011) (agenda paper 3.2.2);
- (e) Submissions Pipeline Report dated 23 August 2011 (agenda paper 3.2.3);
- (f) AASB Sub-committee membership as at 31 July 2011 (Board only) (agenda paper 3.3);
- (g) Letter from AASB Chairman to IFRS Interpretations Committee dated 12 August 2011 re: IFRS 3 *Business Combinations* – business combinations involving newly formed entities: factors affecting identification of the acquirer (Issue 1); and IFRS 3 *Business Combinations* – business combinations involving newly formed entities: business combinations under common control (Issue 2) (agenda paper 3.4);
- (h) Letter from Michael Lambert, Acting Secretary, NSW Treasury to AASB Chairman dated 11 August 2011 re: IAS 19 *Employee Benefits* (agenda paper 3.5);
- (i) Letter from AASB Chairman to Mr Phil Gaetjens, Secretary, NSW Treasury dated 29 August 2011 re: IAS 19 *Employee Benefits* (agenda paper 3.6);
- (j) Australian Accounting Standards Board Responses to FRC Taskforce Request for Input - Integrated Accounting (agenda paper 3.7);
- (k) Email from Paul Pacter, IASB Board Member, to AASB Chairman dated 24 June 2011 and the latter's response dated 18 July 2011 re: SMEIG Guidance [CONFIDENTIAL] (agenda paper 3.8);
- (l) AASB Communications Report 14 July – 7 September 2011 [Board only] (agenda paper 3.9, tabled);
and



- (m) AASB comment letter from the AASB Chairman to the IPSASB Technical Director dated 6 September 2011 re: IPSASB Exposure Draft *Key Characteristics of the Public Sector with Potential Implications for Financial Reporting* (agenda paper 3.10, tabled).

The Board noted the agenda papers. Board members were reminded that when commenting via email on draft documents they should consider whether a 'reply to all' is appropriate (to bring their views to the attention of all members), or whether it is better just to respond to the staff members involved.

Minerals Resource Rent Tax (MRRT)

Agenda Item 4

The Board had before it presentation slides prepared by Nikole Gyles titled *Proposed Minerals Resource Rent Tax (MRRT)* (agenda paper 4.1).

The Board received an education session on the proposed MRRT and discussed a draft staff work plan to address potential accounting implications that might arise from a MRRT. The Board expects to discuss this topic next at its February 2012 meeting.

Leases

Agenda Item 5

The Board had before it:

- (a) a memorandum from Nikole Gyles dated 23 August 2011 re: Leases – project update and issues relating to the proposed lessor model (agenda paper 5.1);
- (b) Leases Project Update: Tentative decisions made by IASB/FASB on the Leases project – August 2011 (agenda paper 5.2); and
- (c) Lessor model – Key issues and considerations relating to July 2011 IASB redeliberations (agenda paper 5.3).

The Board received an update on the tentative decisions made by the IASB and the FASB in their July 2011 meeting on the Leases project. The Board decided none of those decisions gave it cause to write to the IASB expressing concerns, particularly given the IASB's decision to re-expose the Leases proposals in Q4 2011. However, the Board requested that staff raise concerns with IASB staff relating to the volume of disclosures being considered, and the lessor model, for consideration in finalising the IASB's revised ED.

Action: Staff

Revenue from Contracts with Customers

Agenda Item 6

The Board had before it:

- (a) a memorandum from Nikole Gyles dated 23 August 2011 re: Revenue Recognition – project update (agenda paper 6.1); and



- (b) an additional memorandum from Nikole Gyles also dated 23 August 2011 re: Revenue Recognition – draft project plan (agenda paper 6.2).

The Board received an update on the tentative decisions made by the IASB and the FASB in their July 2011 meeting on the Revenue Recognition project. The Board decided none of those decisions gave it cause to express concerns to the IASB.

Income of Not-for-Profit (NFP) Entities

Agenda Item 7

The Board had before it:

- (a) a memorandum from Jim Paul dated 31 August 2011 (agenda paper 7.1);
- (b) a staff issues paper entitled *Recognition and Disclosure of Contributed Services* (agenda paper 7.2); and
- (c) a staff issues paper entitled *Exclusion of For-Profit Government Departments* (agenda paper 7.3).

The Board considered these issues papers in developing an ED on Income of NFPs (based on the draft IFRS on *Revenue from Contracts with Customers* – which is subject to re-exposure by the IASB in the near future).

Recognition and Disclosure of Contributed Services

The Board considered the issues paper on the recognition and disclosure of ‘contributed services’ (donated services) received by not-for-profit entities (NFPs). After considering the submissions received on this topic in response to ED 180 *Income from Non-exchange Transactions (Taxes and Transfers)*, the Board:

- (a) decided all NFPs (whether in the private or public sector) should:
- (i) be required to make disclosures about the nature and significance of donated services received, whether recognised or unrecognised; and
 - (ii) in principle, be required to recognise donated services received at fair value, when fair value can be measured reliably;
- (b) acknowledged that applying the recognition principle in (a)(ii) above would give rise to cost/benefit issues, particularly for smaller NFPs, that need further consideration;
- (c) consequently decided to propose both requirements in (a) above in its ED on Income of NFPs, but to propose that the recognition requirement has a later application date than the operative date of the Standard. In the interim, the Board will consider:
- (i) opportunities for the review of the current regulatory regime for financial reporting by smaller NFPs; and
 - (ii) issues relating to donated services received in the context of its project on Service Performance Reporting; and



- (d) observed that, until the later application date referred to in (c) above, the present recognition requirements for donated services received in AASB 1004 *Contributions* would remain unchanged.

The Board observed that the decisions would give rise to the following proposed changes to AASB 1004:

- (a) one of the specific recognition criteria in paragraph 44 of that Standard for donated services received by local governments, government departments, GGSs and whole of governments (namely, that the services would have been purchased if they had not been donated) would be omitted; and
- (b) the scope of the specific recognition criteria for donated services in that Standard would be extended to include all NFPs, including those in the private sector.

The Board decided that its Basis for Conclusions on the ED on Income for NFPs should note that:

- (a) recognition of donated services received that meet the recognition criteria should not be optional, because:
- (i) non-recognition of donated services received that meet the recognition criteria would omit income and related expenses (the consumption of the services) of the NFP, impairing the representational faithfulness of the income and expenses reported. Consequently, the financial statements would be less useful for assessing the cost of services provided by the NFP; and
- (ii) providing an option would reduce the comparability of financial information between NFPs and between periods. An example of this lack of comparability is that a NFP that receives a cash donation for purchasing services might recognise different income and expenses than a NFP that receives donated services; and
- (b) the Board proposes omitting the recognition criterion in paragraph 44 of AASB 1004 that the services would have been purchased if they had not been donated, because application of that criterion:
- (i) does not necessarily reflect whether the entity receives benefits from the services (for example, the services might be provided under the entity's direction and yet would not otherwise have been purchased);
- (ii) is potentially affected by the entity's capacity to pay for the services, which is incongruous with many NFPs' dependence on donated services because they have insufficient resources to purchase them; and
- (iii) is unnecessary to address difficulties (and related costs) in reliably measuring some donated services, because the other recognition criterion for donated services is reliable measurement.

For-Profit Government Departments

The Board considered the issues paper on redeliberating its proposal in ED 180 that the replacement Standard for AASB 1004 should exclude any for-profit government departments from its scope. After considering the submissions received on this topic, the Board effectively confirmed its proposal in ED 180. It



decided that any for-profit government departments should be outside the scope of any NFP-specific text applying to Income of NFPs, consistent with the Board's policy that for-profit entities (whether in the private or public sector) conform to IFRSs. Those government departments would apply the text of the Australian Accounting Standard that incorporates without amendment the expected IFRS on *Revenue from Contracts with Customers*. The scoping out of any for-profit government departments would not be mentioned explicitly in the scope paragraphs of the ED on Income by NFPs (it would be implicit in the ED's scope limitation to NFPs), but would be noted briefly in the Basis for Conclusions on the ED.

Scope of the ED on Income of NFPs

The Board decided to exclude from its ED on Income of NFPs some issues dealt with in AASB 1004 that are outside the scope of the expected IFRS on *Revenue from Contracts with Customers*. For example, the ED would not include proposals in respect of:

- (a) recognition requirements for contributions by owners and distributions to owners;
- (b) requirements for the treatment of restructures of administrative arrangements in the public sector; and
- (c) the future role (if any) of AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

Those issues will be considered by the Board as soon as is feasible, but not as part of the ED. The treatment of those issues would remain unchanged until they are considered by the Board in the future.

Action: Staff

IASB Agenda Consultation 2011

Agenda Item 8

The Board had before it:

- (a) a memorandum from Kevin Stevenson and Angus Thomson dated 23 August 2011 (agenda paper 8.1); and
- (b) IASB Request for Views *Agenda Consultation 2011* (agenda paper 8.2).

The Board noted that the IASB has issued a Request for Views *Agenda Consultation 2011* for comment by 30 November 2011, and that AASB Invitation to Comment 25 has been issued, incorporating the IASB Request for Views, for comment by 10 November 2011.

The AASB noted that the Request for Views has two sets of questions, with the emphasis in the first set being on developing financial reporting and the emphasis in the second set being on specific projects.

The Board identified some preliminary thoughts on the Request for Views and some strong links between the two sets of questions. Those thoughts included:

- (a) urging the IASB to focus on global IFRS adoption, rather than convergence with US GAAP – the Board noted that many jurisdictions in Asia and Latin America are in the process of transitioning to



IFRSs, including identifying when to adopt IFRSs, and that the recent focus on US GAAP convergence may be a diversion from a wider focus that would better facilitate global IFRS adoption. The Board noted that it would be counterproductive if convergence with US GAAP came at the expense of helping to secure IFRS adoption by key jurisdictions in Asia and Latin America;

- (b) indicating a period of stability once the current major projects are completed would be welcome because it would help facilitate the adoption of IFRSs by many jurisdictions, particularly in Asia;
- (c) indicating the IASB needs to be mindful of catering for the different perspectives of different jurisdictions and use generic and principle-based language – for example, to help facilitate the application of IFRSs in the context of Islamic finance or in a not-for-profit context – on the basis that this is essential to achieving one global set of standards. In this respect, the Board considers the IASB needs to be mindful of the markets in which its standards can be adopted in future;
- (d) supporting continued work on the Conceptual Framework, particularly as means of underpinning greater consistency of accounting treatments across IFRSs as they are revised and as new IFRSs are created;
- (e) emphasising the need to deal with projects at a broad level to help avoid inconsistent outcomes for similar items and as a way of making IFRSs more cohesive and less complex. The Board considers that many of the inconsistencies in IFRSs arise because topics are too narrowly defined. The Board also considers that narrow project scopes and resulting inconsistencies have contributed to large and diverse disclosures being required in IFRSs. In particular, the Board asked staff to review the long list of projects identified on page 14 of the Request for Views and provide an illustration of a short list of key projects under which they might be better dealt with – for example:
 - (i) 'presentation and disclosure' and 'other comprehensive income' could be dealt with in the same project; and
 - (ii) 'emission trading schemes', 'extractive activities' and 'rate regulation' might all be dealt with under a project on intangible assets;
- (f) noting that the AASB's project using the IASB's work on 'revenue recognition from contracts with customers' as the foundation for requirements on income of not-for-profit entities might be useful as a basis for dealing with all income recognition in one IFRS and facilitating the removal of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, with its many optional treatments, and the removal of the government grant requirements from IAS 41 *Agriculture*;
- (g) advocating that the IASB consider its existing IFRSs with a view to identifying those that are not needed, for example, possibly IAS 33 *Earnings per Share*;
- (h) highlighting the need for some resources to be devoted to researching strategic issues; and
- (i) encouraging the IASB's communication to be more focused on a meaningful explanation of why changes to IFRSs are needed, in respect of both minor and major changes, because any change



imposes potentially significant costs on all of those involved in using Standards, including preparers and users.

The Board also discussed whether it should identify 'common control' as a project the IASB should pursue because it is the subject of many technical questions in practice in Australia and Asia. The Board agreed to raise the topic in the context of a post-implementation review of IFRS 3 *Business Combinations* and IAS 27 *Separate Financial Statements*.

The Board agreed to establish a subcommittee (John O'Grady, Victor Clarke and Robert Williams) to review a draft submission out of session prior to re-considering the matter at a Board meeting together with comments received from Australian constituents.

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| Action: | Staff Subcommittee |
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Financial instruments

Agenda Item 9

Hedge Accounting

Agenda Item 9.1

The Board had before it:

- (a) a memorandum from Huy Pham dated 23 August 2011 providing a summary of the outcomes to date of the IASB's project to replace the hedge accounting principles in IAS 39 *Financial Instruments: Recognition and Measurement* (agenda item 9.1); and
- (b) a comment letter from QBE Insurance Group Limited dated 4 August 2011 (agenda item 9.2).

The Board received an update on the IASB's deliberation of issues identified in respect of ED/2010/13 *Hedge Accounting* (which was incorporated into AASB ED 208 – now closed for comment) based on constituent feedback. Issues considered include:

- (a) the proposal to lift the restriction on applying hedge accounting to net positions consisting of forecast transactions that will affect profit or loss in different periods for foreign currency risk only;
- (b) the proposal to allow the designation of an 'aggregated exposure' as a hedged item without a specific restriction that the exposure and derivative that forms the 'aggregated exposure' be in a hedging relationship; and
- (c) the proposal to allow an irrevocable election to measure contracts to buy and sell non-financial items that can be settled net in cash that were entered into and continue to be held for the purpose of the receipt or delivery in accordance with the entity's expected purchase, sale or usage requirements ('own use' contracts) at fair value if doing so eliminates or significantly reduces an accounting mismatch.

Other issues added in an updated summary memorandum include:



- (a) application of hedge accounting to forward points;
- (b) designation of risk components (financial and non-financial) as hedged items;
- (c) hedge accounting related disclosures; and
- (d) accounting for credit risks.

The AASB will continue to monitor the development of this project.

Financial Instruments – Deferral of mandatory effective date of IFRS 9

Agenda items 9.3 - 9.5

The Board had before it:

- (a) a memorandum from Christina Ng dated 22 August 2011 (agenda paper 9.3);
- (b) AASB ED 215 *Mandatory Effective Date of IFRS 9* (agenda paper 9.4); and
- (c) a submission received in response to AASB ED 215 (agenda paper 9.5).

The Board considered, for the purpose of making a submission, key issues arising from IASB ED/2011/3 *Mandatory Effective Date of IFRS 9* (incorporated into AASB ED 215) that requests comments on changing the mandatory date of IFRS 9 *Financial Instruments* to 1 January 2015. Comments to the AASB are due by 7 October 2011 (and to the IASB by 21 October 2011).

Subject to considering any further submissions from AASB constituents on ED 215, the Board decided to comment to the IASB that the mandatory application date of IFRS 9 should be determined only when the project to replace IAS 39 *Financial Instruments: Recognition and Measurement* as a whole is near completion, and should allow sufficient time for entities to be able to present meaningful comparative information. The Board noted there are four more phases to the project to replace IAS 39 and is concerned about the implications of multiple re-issuances of IFRS 9, particularly for comparability of financial reporting across entities. Accordingly, the Board decided to suggest that the IASB considers limiting the number of re-issuances of IFRS 9 and the circumstances in which entities could early adopt an earlier version once a later version has been issued.

The Board agreed that the submission should be finalised out-of-session.

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| Action: | Board Staff |
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Annual Improvements 2009-2011

Agenda Item 10

The Board had before it:

- (a) a memorandum from Huy Pham dated 23 August 2011 providing a summary of the proposals and staff views on the latest round of improvements from the IASB (agenda paper 10.1);



- (b) AASB Exposure Draft ED 213 *Improvements to IFRSs* (which incorporates the IASB's ED/2011/2) (agenda paper 10.2); and
- (c) a submission received in response to ED 213 (agenda paper 10.3).

The Board discussed the amendments contained in ED 213 and formed views to be included in a submission to the IASB.

Board members were generally supportive of all the amendments proposed in ED 213. However, it was agreed that a general comment should be made to the IASB cautioning against the use of a rules-based approach rather than a principles-based approach in the drafting of improvements.

Action: Staff

Consolidation – Investment Entities

Agenda Item 11

The Board had before it:

- (a) a memorandum from Lisa Panetta dated 30 August 2011 (agenda paper 11.1);
- (b) IASB Exposure Draft *Investment Entities* (agenda paper 11.2); and
- (c) AASB draft ED XX *Investment Entities* (incorporating ED/2011/4) (agenda paper 11.3).

The Board considered the IASB's Exposure Draft ED/2011/4 *Investment Entities* that was issued on 25 August 2011 for comment by 5 January 2012, with a view to agreeing the content of the AASB Preface to the AASB ED incorporating ED/2011/4, including specific AASB questions.

The Board decided the AASB Preface should note, in broad terms, the range of entities that might fall within the scope of the IASB's proposals and outline those types of entities that might be affected by ED/2011/4, including entities that could be impacted because they would not meet the proposed criteria for 'investment entities'. The Board also decided to include a question for Australian constituents to identify the types of entities they consider might be affected and the costs and benefits, whether from a user or preparer perspective, they may experience depending on whether those types of entities meet the 'investment entities' criteria.

The Board noted its decision in July that the Chairman should raise questions about the proposals in the IASB ED in a media release.

The Board agreed to issue an ED incorporating the AASB Preface and IASB ED/2011/4, for comment by 30 November 2011, upon final review by the Chairman.

Action: Staff
Chairman

Superannuation Entities

Agenda Item 12

The Board had before it a memorandum from Angus Thomson dated 23 August 2011 (agenda paper 12.1).



The Board noted that staff are well advanced in redrafting the revised Exposure Draft on financial reporting by superannuation entities for further consideration by the AASB's superannuation subcommittee, and expects it will be able to be issued for public comment in October 2011.

New Zealand Accounting Standards Board (NZASB)

Agenda Item 13

The Board had before it:

- (a) Communiqué NZASB 27 July 2011 (agenda paper 13.1);
- (b) Communiqué NZASB 2011-2: August 2011 (agenda paper 13.2);
- (c) Communiqué NZASB 2011-3: 22 August 2011 (agenda paper 13.3);
- (d) Communiqué NZASB 2011-4: 25 August 2011 (agenda paper 13.4);
- (e) Communiqué XRB 3 – 29 August 2011 (agenda paper 13.5); and
- (f) NZASB Questionnaire - IASB's Agenda Consultation 2011 (agenda paper 13.6, tabled).

The NZASB Chair, Michele Embling, reported on the accounting standard setting activities in New Zealand since the establishment of the new structure for standard setting on 1 July 2011. She advised that the principal work to date has focused on setting up the new structure, communicating with constituents and preparing for the introduction of a new Framework.

AASB Public Sector and NFP Private Sector Symposiums

Agenda Item 14

The Board had before it:

- (a) a memorandum, including a staff report, from Shu In Oei dated 23 August 2011 (agenda paper 14.1);
- (b) the NFP Symposiums Program (agenda paper 14.2); and
- (c) an email from Mr John Church dated 20 August 2011 expressing his view on the Board's role in relation to charities (agenda paper 14.3).

The Board held two symposiums, in Melbourne on Monday 15 August 2011 and in Sydney on Friday 19 August 2011, both well attended.

The Board considered the staff papers. It noted the main issues raised by attendees of the NFP Symposiums, as summarised in the staff report (agenda paper 14.1), and decided each issue should be considered further as each relevant NFP project is progressed.

In relation to its Service Performance Reporting (SPR) project, the Board noted concerns were raised that it would add to the reporting burden, particularly for small charities, and that a 'through the eyes of management' approach for SPR might alleviate those concerns. The Board decided, consistent with the staff suggestion, that a paper be prepared to assist the Board in considering at a future meeting the future direction of this project, in determining the Board's role in relation to non-financial reporting by NFP entities,



and the role it could play in assisting the newly formed Australian Charities and Not-for-profits Commission (ACNC).

The Board acknowledged the potential benefits, particularly for charities, of an agreed financial reporting taxonomy and a single portal for communicating information to government or regulators. In that regard, the Board noted its liaison with the custodian of the XBRL financial reporting taxonomy in Australia and its intention to establish ongoing liaison with the ACNC.

Action: Staff

NFP Public Sector Financial Reporting Projects

Agenda Item 15

The Board had before it:

- (a) a memorandum from Clark Anstis dated 31 August 2011 (agenda paper 15.1);
- (b) correspondence dated 28 July 2011 from Grant Hehir, Chair of HoTARAC, regarding priority public sector accounting issues 2011-2013, and a response from the AASB Chair, dated 5 August 2011 (agenda paper 3.1); and
- (c) the detailed AASB work program (August 2011) (agenda paper 3.2.2).

The Board discussed correspondence with the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) in relation to priorities for its projects of particular relevance to not-for-profit public sector entities. The Board discussed generally its project priorities, but did not change project priorities as set out in its work program (August 2011). Members considered that most of the priorities listed in HoTARAC's correspondence were suitably reflected in the Board's work program. The Board decided that it should carry out further consultation on its work program with public sector constituents, including HoTARAC.

Members noted in particular that the current project on control in the public sector will not include, until a later phase, consideration of the identification and treatment of administered items because the initial focus of the project is on 'control of entities' issues.

Members also agreed that the Board should publish a paper that reflects how it utilises, and also contributes to, the work of the IPSASB in developing or amending Standards for application in Australia by NFP entities. The paper should also draw out the high degree of compliance by Australia with IPSAS and the areas in which Australia goes beyond IPSAS. The paper should be clear that though the Board follows an IFRS based approach, this does not limit the AASB's work either in the public sector or to NFP accounting more generally.

Action: Staff

Service Concession Arrangements – Grantors

Agenda Item 16



The Board had before it:

- (a) a memorandum from Clark Anstis dated 31 August 2011 (agenda paper 16.1);
- (b) a staff issues paper (agenda paper 16.2); and
- (c) extracts from the draft IPSAS 32 *Service Concession Arrangements: Grantor* (September 2011) (agenda paper 16.3).

The Board reviewed the draft Standard on grantor accounting for service concession arrangements that is to be considered for approval by the IPSASB at its meeting later in September. The Board expressed concerns over the following aspects:

- (a) the treatment of regulation that is the responsibility of third-party regulators in relation to whether the grantor controls or regulates the services that the operator must provide under a service concession arrangement, the recipients and the pricing of the services. Members noted that a third-party regulator could be from a different jurisdiction to the grantor, which may affect the assessment of whether the grantor should recognise service concession assets provided by the operator; and
- (b) the initial measurement of the grantor's liability under a service concession arrangement at the fair value of the service concession assets, rather than the fair value of what the grantor has given up – when the grantor grants a licence to the operator to charge users of the service concession assets, the licence covers both the availability of the assets to the operator over the term of the arrangement and the services to be provided by the operator, so that the grantor's assets may include both the underlying service concession assets and a prepaid service component. The Board considered that the draft Standard should address the creation of licences by the grantor in connection with service concession arrangements.

The Board noted that the IPSASB may decide to re-expose the draft Standard or parts of it, instead of approving it for issue. If the IPSASB decides to re-expose, the Board anticipates publishing the exposure draft in Australia for comment. If the IPSASB instead approves its Standard for issue, the Board will consider at a future meeting whether to issue an exposure draft that includes proposed requirements that are modified from the IPSASB's requirements. For example, the proposals might include modified revenue recognition requirements consistent with the outcome of the IASB project on revenue from contracts with customers.

Action: Staff

Interpretations Update

Agenda Item 17

The Board had before it:

- (a) a memorandum from Peter Batten dated 24 August 2011 re: IFRS Interpretations Committee (agenda paper 17.1);
- (b) a letter from KPMG IFRG Limited to IFRS Interpretations Committee Chairman dated 11 August 2011 re: Tentative agenda decisions: IFRS 3 *Business Combinations* (agenda paper 17.2); and



- (c) a near-final draft of IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* [CONFIDENTIAL] (agenda paper 17.3).

The Board received an update on stripping costs in the production phase of a surface mine, noting that the IFRS Interpretations Committee has developed IFRIC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* and submitted it to the IASB for ratification at the IASB's September 2011 meeting. This Interpretation had been amended to reflect some of the AASB's comments in its letter of 15 June 2011.

Asian-Oceanian Standard-Setters Group (AOSSG)

Agenda Item 18

The Board had before it:

- (a) a memorandum from Angus Thomson dated 22 August 2011 (agenda paper 18.1);
- (b) draft agenda for an informal AOSSG meeting on 14 September 2011 (agenda paper 18.2);
- (c) draft agenda for AOSSG Working Group meetings on 22 November 2011 (agenda paper 18.3); and
- (d) draft agenda for AOSSG annual meeting on 23 & 24 November 2011 (agenda paper 18.4).

The Board noted:

- (a) the AOSSG will conduct an informal meeting next week in conjunction with the National Standard Setters meeting;
- (b) the draft agenda for the third annual AOSSG meeting in Melbourne on 23 and 24 November 2011, that members of the public are welcome to be in the audience for that meeting, and that people can register via the AOSSG website (www.aossg.org); and
- (c) Australia will Chair the AOSSG from November 2011.

Members were reminded that they are encouraged to attend at least some of the AOSSG's annual meeting in November and were advised to read the AOSSG Vision Statement as background.

Action: Members

Progress Report on the Differential Reporting Research Project

Agenda Item 19

The Board had before it:

- (a) a memorandum from Ahmad Hamidi (agenda paper 19.1); and
- (b) presentation slides by research consultants (agenda paper 19.2, confidential - tabled).

The Board received an update on the progress of the differential reporting research project by external consultants. The project was initiated to address the following issues:

- (a) whether the population of non-reporting entities has consistent characteristics; and
- (b) the nature of the accounting policies adopted by non-reporting entities.



The consultants provided some preliminary results in respect of the functionality of the reporting entity concept as set out in Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* in distinguishing between entities that should prepare general purpose financial statements and those that need not. The consultants also reported their preliminary findings regarding the accounting policies disclosed as adopted in the special purpose financial statements of the lodging entities they have considered to date.

The research is continuing, and will include consideration of the quality of financial statements lodged by non-reporting entities, using industry-based analysis, and the change in the quality of such financial statements over time.

Reducing Complexity in Financial Reporting

Agenda Item 20

The Board had before it:

- (a) a memorandum from Kevin Stevenson dated 16 August 2011 re: Reducing Complexity in Financial Reporting (agenda paper 20.1); and
- (b) presentation slides prepared by Kevin Stevenson titled: *Re-thinking Economic Decision-Making, Disclosure and Presentation* (agenda paper 20.2).

The Board was informed of the developing thoughts of the Chairman on the presentation topic. The Board noted the ideas have the potential to improve the quality of financial reporting in the longer term by providing some fundamental objectives-driven principles upon which performance reporting, including disclosures, could be based. The Board encouraged the Chairman to continue to develop his thinking. The Board also noted that other shorter-term strategies for reducing complexity in financial reporting are to work with other regulators to clarify the current regulatory regime and to encourage the IASB to resist adding voluminous disclosure requirements to IFRSs. No decisions were made.

Financial Reporting Implications of a Carbon Tax

Agenda Item 21

The Board had before it a memorandum from Ahmad Hamidi (agenda paper 21.1).

The Board conducted a preliminary discussion of possible accounting implications of a future carbon price mechanism in the light of information available to date about the proposed Australian carbon price mechanism. The Board noted that different views may exist about the accounting treatment under existing Standards of transactions and other events associated with a future carbon tax during its fixed price phase.

The Board formed the tentative view that permits (carbon units) purchased or received free by an emitter are in the nature of assets.

The Board asked staff to prepare an issues paper discussing in more detail the various accounting issues involved for both the emitter and the government during the fixed price phase, including possible treatments of permits and obligations arising from emissions, for consideration at a future Board meeting.



Action:

Staff

Emerging Issues

Agenda Item 22

The Board did not identify any emerging issues other than those noted below.

Goodwill

Jayne Godfrey advised that staff of the US FASB had contacted her regarding research she had undertaken into the value relevance of different accounting treatments of goodwill – impairment approach vs amortisation approach. She also noted her research indicated an impairment approach better reflects the underlying economics.

Compilations

The Board considered whether, considering the workload, it was appropriate to prepare 'gratuitous' compilations, that is, compilations resulting from Standards or amendments to Standards that are not yet in force. The Board agreed that such compilations were not generally required, but that it might be worth developing an early compilation for the financial instruments Standards, given the expectation that many preparers would want to early adopt the hedging requirements, if early adoption is allowed.

Taxation of Financial Assets (TOFA)

The Board noted that an Australian Taxation Office Working Group had considered whether an entity adopting Tier 2 Reduced Disclosure Requirements should be disqualified from applying the TOFA regime. The Board noted that the Working Group had concluded that it would not be appropriate to apply such a disqualification, although the taxing authority could reserve the right to ask for extra disclosures (for example under AASB 7 *Financial Instruments: Disclosures*).

Review

Agenda Item 23

The Board did not have any comments.

Close of Meeting

The Chairman closed the meeting at 1.10 p.m. on Thursday 8 September 2011.

Approval

Signed by the Chairman as a correct record
this twenty-sixth day of October 2011