

AASB Policies and Processes

Prepared by the
Australian Accounting Standards Board



Australian Government

**Australian Accounting
Standards Board**

Obtaining a Copy of AASB Policies and Processes

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PREFACE

Background to the Development of the Statement of AASB Policies and Processes

This Statement of *AASB Policies and Processes* replaces Policy Statements that were issued by the AASB or its predecessor. At its meeting in November 2008 the AASB decided to withdraw the following Policy Statements:

- PS 1 *The Development of Statements of Accounting Concepts and Accounting Standards;*
- PS 2 *The AASB Consultative Group;*
- PS 3 *AASB Project Advisory Panels;* and
- PS 4 *International Convergence and Harmonisation Policy;*

because they did not reflect appropriately its current arrangements. The AASB agreed to replace these Policy Statements with a single document setting out its key policies and processes.

AASB POLICIES AND PROCESSES

INTRODUCTION

- 1 This Statement of *AASB Policies and Processes* is developed in the context of the AASB's powers and functions under its enabling legislation (the *Australian Securities and Investments Commission Act 2001* [ASIC Act]) and the functions of the Financial Reporting Council (FRC).

FUNCTIONS OF THE AASB

- 2 The AASB is required to advance the main objects of Part 12 of the ASIC Act:
 - “(a) to facilitate the development of accounting standards that require the provision of financial information that:
 - (i) allows users to make and evaluate decisions about allocating scarce resources; and
 - (ii) assists directors to discharge their obligations in relation to financial reporting; and
 - (iii) is relevant to assessing performance, financial position, financing and investment; and
 - (iv) is relevant and reliable; and
 - (v) facilitates comparability; and
 - (vi) is readily understandable; and
 - (b) to facilitate the Australian economy by:
 - (i) reducing the cost of capital; and
 - (ii) enabling Australian entities to compete effectively overseas; and
 - (iii) having accounting standards that are clearly stated and easy to understand; and
 - (c) maintain investor confidence in the Australian economy (including its capital markets).”

3 Section 227 of the ASIC Act provides that:

“(1) The functions of the AASB are:

- (a) to develop a conceptual framework, not having the force of an accounting standard, for the purpose of evaluating proposed accounting standards and international standards; and
 - (b) to make accounting standards under section 334 of the *Corporations Act* for the purposes of the corporations legislation (other than excluded provisions); and
 - (c) to formulate accounting standards for other purposes; and
 - (d) to participate in and contribute to the development of a single set of accounting standards for world-wide use; and
 - (e) to advance and promote the main objects of this Part.
- (2) In carrying out its functions ... the AASB must have regard to the interests of Australian corporations which raise or propose to raise capital in major international financial centres.”

COMPOSITION OF THE AASB

4 The Chair and members of the AASB are appointed under section 236B of the ASIC Act. The full-time Chair is appointed by the Treasurer and the part-time members are appointed by the FRC. To be eligible for appointment, a person must have knowledge of, or experience in, business, accounting, law or government. Further information about members of the AASB are available on the AASB website.¹

FINANCIAL REPORTING COUNCIL

5 The FRC has an oversight role in relation to the accounting and auditing standards setting arrangements in Australia, and monitors the effectiveness of Australia’s auditor independence requirements. Further information about the FRC is available on the FRC website, including *FRC Bulletins* with information on strategic directions issued to the AASB regarding adoption of International Financial

¹ <http://www.aasb.gov.au/AASB-Board/Current-Board-members.aspx>

Reporting Standards (IFRS) and GAAP / GFS harmonisation (see also paragraph 38).²

- 6 The AASB maintains ongoing communication with the FRC, principally through the AASB Chair who is a member of the FRC. The Chair reports on AASB activities to meetings of the FRC to keep it informed of those activities and also liaises regularly with the FRC Chair and Secretariat.

STRATEGIES

- 7 The AASB's policies and processes support the implementation of the AASB's strategies relating to its international role and domestic topics and priorities as follows:
 - (a) contributing to international accounting standard setting, including developing international standard setting relationships;
 - (b) maintaining two Tiers of Australian financial reporting requirements, with Tier 1 for-profit entities being compliant with IFRSs;³
 - (c) addressing domestic priorities for not-for-profit entities in the public and private sectors, the emphasis of which is on driving improvements in financial reporting in respect of Standards and Interpretations for these and other entities that are currently outside the scope of the activities of the International Accounting Standards Board (IASB); and
 - (d) dealing with topics of domestic significance affecting for-profit entities, within the constraints of maintaining compliance with IFRSs.

CONTRIBUTING TO INTERNATIONAL ACCOUNTING STANDARD SETTING

- 8 The AASB undertakes the following activities in contributing to and participating in international accounting standard setting:
 - (a) endeavouring to act as a thought leader when contributing to the development of international standards by the IASB and the

² <http://www.frc.gov.au>

³ A possible exception would be a for-profit government department that uses Tier 1 requirements and applies Standards with requirements specific to not-for-profit entities such as AASB 1004 *Contributions*.

International Public Sector Accounting Standards Board (IPSASB) and the setting of their agenda and priorities;

- (b) being involved in significant IASB and IPSASB projects as early as possible in the process by leading research projects, participating in project panels and working groups, providing technical input and support to panel members and not necessarily waiting until comment is invited through a Discussion Paper or an Exposure Draft (ED);
 - (c) being an active participant:
 - (i) with other national standard setters and groupings of standard setters, particularly through regional groupings of national standard setters such as the Asian-Oceanian Standard-Setters Group (AOSSG) and the National Standard Setters Group (NSS); and
 - (ii) in activities associated with the IASB's World Standard Setters meeting;
 - (d) making submissions on IASB and IPSASB consultative documents that are likely to be significant in an Australian context and encouraging Australian constituents to participate in the due processes of the IASB and the IPSASB;
 - (e) providing international leadership by undertaking work on topics important to Australian constituents that are not being addressed by the IASB or the IPSASB;
 - (f) working to reduce barriers to adopting IFRSs and International Public Sector Accounting Standards (IPSAS), including legislative barriers; and
 - (g) promoting the use of IFRSs globally in light of Australia's adoption experience, which may be useful to transitioning jurisdictions, in the interests of avoiding there being a range of national versions of IFRSs.
- 9 The AASB acknowledges that, as one of many participants in the international standard setting process, the outcomes of the process may differ from the preferred positions advanced by the AASB. However, in the interests of developing a single set of high-quality accounting standards for international use there is a presumption that IFRSs should be adopted for use in Australia unless to do so would not be in the best interests of the Australian economy.

Australia / New Zealand Co-operation

- 10 Where feasible, the AASB and the New Zealand accounting standard setter are converging their Standards with a particular focus on facilitating the trans-Tasman economic relationship.
- 11 The AASB and the New Zealand accounting standard setter have agreed a protocol for co-operation, which is available on the AASB website,⁴ under which the AASB and the New Zealand accounting standard setter seek to achieve convergence of their Standards with the objective of reducing reporting costs and thereby facilitating trade for entities operating across the Tasman. The AASB Chair is a member of the New Zealand accounting standard setter and the Chair of the New Zealand accounting standard setter is a member of the AASB.
- 12 The AASB Chair also participates in the Trans-Tasman Accounting and Assurance Standards Advisory Group which is co-ordinated by the Australian Treasury and the New Zealand Ministry of Economic Development to foster co-operation on the development of business law.

AUSTRALIAN ACCOUNTING STANDARDS

- 13 Australian Accounting Standards consist of two Tiers of reporting requirements for preparing general purpose financial statements:
 - (a) Tier 1: Australian Accounting Standards; and
 - (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.
- 14 Tier 1 comprises those Standards issued by the AASB:
 - (a) that incorporate IFRSs issued by the IASB and include requirements that are specific to Australian entities; and
 - (b) in response to domestic issues.
- 15 Tier 2 comprises the recognition and measurement requirements of Tier 1 but substantially reduced disclosure requirements.

⁴ http://www.aasb.gov.au/admin/file/content102/c3/Protocol_for_co-operation_with_FRSB.pdf

- 16 Australian Accounting Standards specify the entities to which they apply and, where necessary, set out disclosure requirements from which Tier 2 entities are exempt.
- 17 Accounting Standards issued by the AASB include:
- (a) Amending Standards containing amendments that are subsequently compiled into the Standards and Interpretations they amend; and
 - (b) AASB 1048 *Interpretation of Standards*, which incorporates AASB Interpretations into the Standards (see paragraph 19 below).
- 18 The AASB issues Amending Standards as a means of giving legal effect to amendments made to IFRSs by the IASB. This also provides an efficient way of processing amendments which affect a number of Standards without reissuing all the Standards affected. These amendments are subsequently included in compiled Standards which are available on the AASB website but are not issued in printed form.
- 19 The AASB, when appropriate, re-issues AASB 1048, which is a service Standard that clarifies that Australian Interpretations have authoritative status. In the Australian context, Australian Interpretations do not have the same legal status as Standards, which are delegated legislation, and are treated as ‘external documents’ by the *Acts Interpretation Act 1901* (and also by the *Legislative Instruments Act 2003*). Issuing a service Standard preserves the status of Australian Interpretations as ‘external documents’ referred to in a Standard, with the contents fixed in time to that existing when the Standard takes effect. It does not treat the Interpretations as delegated legislation or confer ambulatory status on the references to them.
- 20 The AASB makes Australian Accounting Standards to be applied by:
- (a) entities required by the *Corporations Act 2001* to prepare financial reports;⁵
 - (b) governments in preparing financial statements for the whole of government and the General Government Sector; and
 - (c) entities in the private or public for-profit or not-for-profit sectors that are reporting entities or that prepare general purpose financial statements.

⁵ Australian Accounting Standards that apply to Corporations Act entities are legislative instruments under the *Legislative Instruments Act 2003*.

- 21 Australian Accounting Standards include requirements that are specific to Australian entities. In most instances, these requirements are either restricted to the not-for-profit or public sectors or include additional disclosures that address domestic, regulatory or other issues. In developing requirements for public sector entities, the AASB considers the requirements of IPSASs, as issued by the IPSASB.

Principles applied in identifying Tier 2 Reduced Disclosure Requirements

- 22 The disclosures proposed under Tier 2 are determined by:
- (a) drawing directly on the level of disclosure required in the IASB's *IFRS for SMEs* when Tier 2 recognition and measurement requirements are the same as those under the *IFRS for SMEs*; and
 - (b) using the 'user need' and 'cost-benefit' principles applied by the IASB in developing its *IFRS for SMEs* when Tier 2 recognition and measurement requirements are not the same as those available under the *IFRS for SMEs*.
- 23 The principles applied by the IASB in developing its *IFRS for SMEs* and used in the AASB's analysis for determining Tier 2 disclosure proposals are grounded in the view that users of financial information of non-publicly accountable for-profit entities are particularly interested in knowing about:
- (a) short-term cash flows and about obligations, commitments or contingencies, whether or not recognised as liabilities;
 - (b) liquidity and solvency;
 - (c) measurement uncertainties;
 - (d) the entity's accounting policy choices;
 - (e) disaggregations of amounts presented in the financial statements; and
 - (f) transactions and other events and conditions encountered by such entities.

Specific not-for-profit entity disclosures

- 24 There are a limited number of disclosure requirements in full IFRSs as adopted in Australia specific to the circumstances of not-for-profit and

public sector entities. In relation to these disclosures, Tier 2 disclosures are determined by drawing on the principles applied by the IASB in developing its *IFRS for SMEs* in the context of the specific needs of users of not-for-profit and public sector entity financial statements.

Further information

- 25 Further explanation of the Tier 2 requirements is available on the AASB website.⁶

Presentation of Standards

Naming and numbering of Standards

- 26 The AASB applies the following approach to naming and numbering its pronouncements:
- (a) Accounting Standards issued by the AASB that are equivalent to Standards issued by the IASB are numbered AASBs 1 – 99 corresponding to the IFRS series, and AASBs 101 – 199 corresponding to the International Accounting Standard (IAS) series;
 - (b) AASB Interpretations issued by the AASB that are equivalent to Interpretations issued by the IASB, are numbered AASB Interpretations 1 – 99 corresponding to the IFRS Interpretations Committee Interpretations (IFRIC) series, and AASB Interpretations 101 – 199, corresponding to the Standing Interpretations Committee (SIC) series;
 - (c) AASB domestic Standards and Interpretations are numbered sequentially in a separate 1000 series for Standards and for Interpretations;
 - (d) Amending Standards are numbered consecutively in a 20XX series using the year and sequence in which they are made; and
 - (e) the AAS series of Standards refers to a former series of Standards issued for application by entities not subject to the Corporations Law. This series is no longer used for new Standards.

⁶ <http://www.aasb.gov.au/Work-In-Progress/Reduced-Disclosure-Requirements.aspx>

Format of Standards

- 27 The AASB's approach is to adopt the requirements of IFRSs word-for-word as drafted by the IASB. Where, as part of the AASB's processes, these Standards are changed to meet the needs of not-for-profit entities or to reflect Australian legal requirements and arrangements, the changes are clearly identified in each Standard in 'Aus paragraphs' (also see paragraph 29).
- 28 Standards issued by the IASB contain a range of material and also have accompanying materials. Accordingly, Australian Accounting Standards comprise the Standard itself and any integral Implementation Guidance or other integral material. There is also usually material that accompanies a Standard, such as a Basis for Conclusions, that is not part of the Standard. This additional accompanying information (that is not included as part of a Standard) is available to Australian constituents through the AASB website.

Australian-specific Requirements

- 29 The AASB includes Aus paragraphs in the IFRSs it adopts in the following circumstances:
- (a) to specify those entities to which the Standard applies, to express its application date and any early adoption requirements in terms that are consistent with Australian law, and other Australian-specific matters;
 - (b) to cater for the needs of not-for-profit entities in the public and private sectors where additional guidance is needed or where the requirements in an IFRS are not appropriate to those entities; and
 - (c) to require specific additional disclosures arising from Australian legal requirements and arrangements.

Application and Scope

- 30 The IFRSs do not generally identify the entities to which they apply, and due to Australian legislative requirements, Australian-specific application paragraphs are included in the Standards. Furthermore, most IFRSs as adopted in Australia apply to a wider group of entities than the IFRSs, such as not-for-profit entities, and this is dealt with in Australian-specific application paragraphs.

Effective Date

- 31 The AASB seeks to have the same effective date for each IFRS in Australia as that determined by the IASB. Under Australian legislative practice the AASB is unable to issue Standards that impose new or revised requirements where the effective date precedes the date on which the Standard is made. If the IASB issues an IFRS with an earlier application date, the AASB when adopting IFRSs may need to take a different approach to expressing that application date in order to comply with legislative practice and also to achieve the same outcome as the IASB.

Implementation of Standards

- 32 When determining the effective date of Standards the AASB seeks to ensure that constituents have adequate time to prepare for their implementation. In normal circumstances the AASB will issue a Standard a significant time before its effective date, say, during the previous annual reporting period and generally permits entities to apply those requirements early should they wish to do so.
- 33 In respect of the adoption of IFRSs, however, the time between the issue of a Standard and its effective date is largely determined by the actions of the IASB. If the AASB were to depart from the effective date determined by the IASB it would put at risk the ability of Australian constituents to maintain compliance with IFRSs as issued by the IASB.

Early adoption

- 34 Under the Corporations Act the AASB may allow early adoption of a Standard by entities subject to that Act. The AASB permits early adoption of a Standard in line with the IFRS effective dates and the related requirements are included in the Standard as Aus paragraphs.

THE CONTEXT FOR DEVELOPING ACCOUNTING STANDARDS AND INTERPRETATIONS

International Financial Reporting Standards

- 35 In developing Accounting Standards and Interpretations the AASB will, in respect of:

- (a) for-profit entities, adopt the *Framework, Standards and Interpretations* as issued by the IASB in a manner consistent with its policy in paragraph 36 below;
 - (b) not-for-profit entities, adopt the *Framework, Standards and Interpretations* as issued by the IASB in a manner consistent with its policy in paragraphs 39 to 41 below;
 - (c) domestic topics that impact on for-profit entities and that are outside the IASB's mandate, seek high-quality financial reporting outcomes, having regard to consistency with the requirements of IFRSs; and
 - (d) domestic topics that impact on not-for-profit entities and that are not addressed in IFRSs, seek high-quality financial reporting outcomes consistent with its policy in paragraphs 39 to 41 below.
- 36 This policy means that a private sector for-profit reporting entity complying with Tier 1 requirements is simultaneously in compliance with IFRSs and, therefore, is able to make an unreserved statement of compliance with IFRSs in accordance with AASB 101 *Presentation of Financial Statements*. Many other entities complying with Tier 1 will also simultaneously comply with IFRSs.

International Public Sector Accounting Standards

- 37 The AASB contributes to the technical agenda and processes of the IPSASB in order to foster the development of IPSASs on the basis that IPSASs are expected, in due course, to become the most relevant and appropriate Standards for public sector not-for-profit entities. The AASB is pursuing this aspiration on the grounds that the IPSASB will:
- (a) continue to base IPSASs on IFRSs, departing from IFRSs only to the extent appropriate for public sector issues; and
 - (b) develop high-quality Standards on topics affecting the public sector that are not dealt with by the IASB.

GAAP / GFS Harmonisation

- 38 When developing Standards for application by public sector entities the AASB considers differences between the requirements of the Standards and the basis of preparing information required by Government Finance Statistics (GFS), with a view to removing those differences where appropriate, having regard to paragraphs 36 and 37.

Transaction Neutrality

- 39 The AASB makes accounting standards with a view to requiring like transactions and events to be accounted for in a like manner for all types of entities. This is referred to as ‘transaction neutrality’.
- 40 The AASB acknowledges that different business models are used by different types of entity. However, it considers that the fundamental nature of the elements of financial statements (assets, liabilities, income and expenses) and their qualitative characteristics are generally unaffected by different business models. Accordingly, the AASB considers that the promulgation of transaction-neutral Standards to the extent feasible is:
- (a) consistent with the concepts underlying accounting;
 - (b) meets the needs of users; and
 - (c) brings an additional benefit of effectively and efficiently developing what is largely one central body of requirements.
- 41 In implementing this transaction-neutral policy the AASB:
- (a) on the basis of the need for Tier 1 for-profit entities to remain IFRS compliant in the best interests of the Australian economy, accepts that an IFRS should only be modified to the extent that the IFRS is not relevant or appropriate in a not-for-profit context; and
 - (b) considers the factors in the *Process for Modifying IFRSs for PBE/NFP* in determining whether to modify an IFRS for not-for-profit entities see paragraph 42 below.

Process for modifying IFRSs for not-for-profit entities

- 42 The AASB and the New Zealand accounting standard setter have developed a *Process for Modifying IFRSs for PBE/NFP* with the objective of having a consistent and transparent basis to assess whether changes to IFRSs, including additional requirements, are warranted in respect of not-for-profit entities. This *Process* document is available on the AASB website.⁷

⁷ http://www.aasb.gov.au/admin/file/content102/c3/Final_Process_for_modifying_IFRSs_Oct_2009.pdf

Interpretations

- 43 The AASB undertakes its interpretations function with a flexible structure that can be applied in response to changing circumstances and the nature of the issues arising. As part of this process the AASB:
- (a) provides guidance to Australian constituents on interpretation issues arising from the application of IFRSs adopted for use in Australia by adopting IFRICs as issued by the IASB, having regard to not-for-profit issues;
 - (b) informs the IFRS Interpretations Committee of issues raised by Australian constituents for it to consider for inclusion on its work program; and
 - (c) retains the capacity to deal directly with domestic issues relating to not-for-profit entities and, only in rare and exceptional circumstances, will consider developing a unique domestic interpretation of an IFRS adopted for use in Australia.
- 44 In respect of issues not being dealt with by the IFRS Interpretations Committee and when there are rare and exceptional circumstances that might warrant the AASB considering the development of a domestic interpretation, the AASB forms an Advisory Panel. An Advisory Panel would comprise the Chair, one other Board member and others with a range of relevant skills and experience to provide different perspectives on the topic. The purpose of an Advisory Panel is to prepare recommendations for consideration by the AASB, which then determines whether to develop and expose a Proposed Interpretation for comment.
- 45 Further information about the AASB's interpretations function is set out in the *Interpretations Model* (June 2006, as modified in December 2007). The *Model* is available on the AASB website.⁸

DUE PROCESS AND CONSULTATION

- 46 The AASB adopts a comprehensive due process when developing its pronouncements and encourages constituents to participate actively in the standard setting process by:
- (a) conducting its discussions and deliberations on technical issues in public;

⁸ http://www.aasb.gov.au/admin/file/content102/c3/Interpretations_Model_12-07.pdf

- (b) communicating its views and policies publicly via discussion papers, invitations to comment, EDs and draft interpretations and seeking feedback on proposals;
 - (c) meeting with interested individuals and representatives of organisations on technical issues;
 - (d) inviting public comment on its policies, procedures, priorities and topics under consideration;
 - (e) considering views expressed by constituents to inform its deliberative processes such as making Accounting Standards and approving Accounting Interpretations and to develop its views when providing input to international and other bodies (the Board's policies on submissions made to the AASB [including informal and confidential submissions] are outlined in paragraphs 52-61 below);
 - (f) issuing media and information releases relating to its activities, including an alert after each meeting to keep constituents informed of the AASB's deliberations, and a periodic newsletter reporting on the AASB's activities and recent developments;
 - (g) maintaining a website on which the AASB publishes EDs and other consultative documents, standards and interpretations, approved minutes of its meetings and selected Board papers; and
 - (h) publishing on its website its business plan, work program and priorities and its approach to dealing with public sector issues.⁹
- 47 In addition, the AASB undertakes the following types of targeted consultation:
- (a) Project Advisory Panels, Working Groups and Interpretations Advisory Panels are formed on an as-needed basis on specific topics;
 - (b) Focus Groups of constituents comprising industry, user groups and individuals for consultation on particular issues on an ongoing basis and the AASB intends to establish other groups as appropriate to facilitate interaction among a wide cross-section of interest groups in the public / private and not-for-profit / for-profit sectors on the AASB's work program, project priorities and due process;

⁹ http://www.aasb.gov.au/admin/file/content102/c3/Work_Program_for_Website.pdf

- (c) Roundtables to seek specific engagement with and comment from constituents on selected topics; and
 - (d) direct consultation with constituents from time to time, either through site visits or presentations to AASB meetings.
- 48 The AASB makes information available to its constituents in a manner that best suits the facts and circumstances, with a particular focus on the AASB website. In this way, the AASB aims to:
- (a) keep constituents informed of standard setting developments, its due process and its policies; and
 - (b) ensure that constituents have ready access to current requirements.

Consultation Documents

- 49 The AASB issues the following types of documents for public comment and discussion with constituents.

Discussion Papers / Consultation Papers

Discussion Papers / Consultation Papers usually outline a wide range of possible accounting policies on a particular topic. Discussion Papers and Consultation Papers may be issued by the AASB, the IASB, the IPSASB or other standard setters. The AASB may choose to issue international documents in Australia for comment, sometimes with an Australian Preface added to explain the context.

Invitations to Comment

Invitations to Comment generally seek feedback on broad proposals. An Invitation to Comment may contain an IASB or IPSASB Discussion Paper / Consultation Paper.

Exposure Drafts

An ED typically is a draft of a proposed standard (or other pronouncement) or draft amendment to a standard. An ED is more likely to include more refined proposals than Invitations to Comment or Discussion Papers / Consultation Papers.

A further ED may be necessary when the views of the AASB change significantly as a result of responses on the first ED or a development

in another project creates a cross-cutting issue that needs resolution with the benefit of input from constituents.

Draft Interpretations

A draft interpretation is a draft of a proposed Interpretation of a Standard.

Comment Periods

- 50 The extent of the due process undertaken by the AASB and the length of the comment period provided for constituents is a matter of judgement and is influenced by the nature and significance of the proposals and their impact on current practice. The AASB will normally seek to:
- (a) provide a 90-day comment period for EDs of Proposed Accounting Standards and amendments to existing Accounting Standards; and
 - (b) provide a comment period of at least 120 days in respect of Discussion Papers / Consultation Papers.
- 51 While the AASB can apply these policies at its discretion in respect of domestically initiated projects, its ability to do so in respect of seeking constituents' views on proposals developed by the IASB or the IPSASB is constrained by the exposure period determined by those Boards. In these cases the AASB seeks to issue proposals by these Boards as soon as practicable after they have been issued and to provide an exposure period so that it can obtain comments from constituents in a timely manner for consideration in preparing the AASB's submission to the IASB or IPSASB.

Submissions made to the AASB (including informal and confidential submissions)

- 52 The AASB gathers information in a number of ways, including through submissions from constituents. Submissions are a valuable source of information for the AASB in progressing its work, and the AASB is always grateful for the time constituents devote to providing their input to the standard setting process.
- 53 Most submissions received by the AASB are the result of a formal due process involving a consultative document, such as an Invitation to

Comment or ED, but submissions may also be received in other contexts.

Definition of submission

- 54 For the purpose of this policy, a ‘submission’ means any:
- (a) formal representation providing input to the Board as part of the Board’s due process; or
 - (b) informal representation to the Board or an individual member intended to influence the decision-making of the AASB or its members in their capacity as members;

about possible, proposed or existing financial reporting requirements. It includes a representation made outside the current due process (for example, an e-mail sent directly to an AASB member rather than addressed to the AASB as a submission or a representation on an existing standard not currently the subject of a consultative document or project).

Making submissions publicly available

- 55 In order to treat all constituents equitably, submissions to the AASB or its members are subject to the same procedures unless otherwise determined by the Chair (see paragraph 56 below). In the interests of transparency, the AASB makes submissions publicly available by having them placed on the AASB website.

Guidance on informal and confidential submissions

- 56 *Confidential submissions* – the Chair has the right to allow a submission to be treated as confidential if, because of exceptional circumstances, it is in the public interest for the AASB to consider the submission and there is no practicable way for the matter to be otherwise raised with the AASB. The Chair can assist any party seeking to make a confidential submission to find a way to allow that submission to become public. The Chair has the right to refuse to accept a submission if it is to remain confidential.
- 57 *Privately expressed views* – a submission includes a privately expressed view intended to unduly influence an individual member. Members need to be conscious of situations in which discussions or other communications might be directed at unduly influencing the AASB’s decision-making or the balance of voting in a particular circumstance. AASB members, where practicable, make people aware

that a discussion on an issue of relevance to the Board may need to be made public. If AASB members are in doubt as to whether to treat an approach as a submission, they consult with the Chair.

- 58 *AASB education sessions* – parties wanting to educate the AASB, or present a view to the AASB, can seek to do so through a public education meeting. The Chair concludes on whether this is to take place. Private meetings with the AASB are not available without the Chair’s consent (for example, the Chair might consent when commercially sensitive information is involved and no alternative arrangement is practicable).
- 59 *Dialogue not constituting a submission* – AASB members are expected to liaise with constituents to better understand their views, explain the AASB’s views and to encourage participation in the formal due process. Members may also be involved in discussions on current financial reporting issues in the course of their day-to-day activities. This policy on submissions is not intended to restrain members in conducting those activities or in their dialogue with constituents. Members use their judgement in determining what constitutes a submission. Discussions between individual members and an interested party, in which the intention is to better understand an issue, proposal, process or even a party’s view, would not normally involve a submission unless material information (for example, additional to that contained in a publicly available submission from the party concerned) is put forward and that information could affect or be seen to affect the AASB’s decision-making. Interested parties are encouraged in such situations to formally lodge a submission or supplementary submission.
- 60 *Advisory Panels* – as noted in paragraph 47(a) the AASB establishes Project Advisory Panels and other Advisory Panels from time-to-time and receives input from Panel members that is generally incorporated by AASB staff into Board papers. This is a transparent process and Panel membership is publicly known.
- 61 *Publicly expressed views* – a submission does not include a view that the public has the opportunity to see or hear published or broadcast (unless the view is then directed specifically to the AASB or its members).

Standard text for inclusion in consultative documents

- 62 Words along the following lines are included in the Preface to EDs and other formal requests for comment:

“All submissions on possible, proposed or existing financial reporting requirements, or on the standard-setting process, will be placed on the public record unless the Chair of the AASB agrees to those submissions being treated as confidential. The latter will only occur if the public interest warrants such treatment.”

Voting on Standards and Interpretations

- 63 The making of an Accounting Standard and the approval of an Accounting Interpretation, whether voted on in a meeting or out-of-session requires the affirmative vote of nine members. For an out-of-session vote to occur at least seven members must agree to hold such a vote on the proposed Standard or Interpretation. As delegated legislation Accounting Standards made under the Corporations Act are disallowable instruments and are tabled in Parliament and included on the Federal Register of Legislative Instruments.

Dissenting Views

- 64 The issuance of proposed and final Standards involves professional judgement of the AASB in terms of both content and timing. The matters covered are sometimes controversial and normally propose or require a change in existing accounting. It is, therefore, to be expected that not all members of the AASB will always support the issuance of a particular ED or final Standard.
- 65 The views of all members should be evident to constituents as a matter of accountability. Further, the views of dissenting members should be respected and they should not be seen to have supported what they have not.
- 66 As a matter of history in accounting standards, dissenting views have, from time to time, been an impetus for returning to a subject at a later time and for reconsideration of prior judgements. In this regard, it should be remembered that all standards are subject to post-implementation reviews.

Nature of dissent

- 67 A dissent is the written statement of reasons expressed by a member who voted against the issue of an ED or a Standard.
- 68 A dissent should only be expressed when a member believes that financial reporting would be harmed by the issuance of a final Standard. Members should place themselves in the position as if they

had the casting vote that would decide whether the Standard should be issued.

- 69 Dissenting opinions should not be used to merely express differences of view on matters of detail that are not relevant to the overall judgement about the wisdom of issuing the final Standard. Dissenting opinions should be soundly based when compared with the *Framework*, existing requirements and practice (GAAP). In other words, the alternative approach preferred by a dissenting member should be practicable within a reasonable period. This is not to say that dissenting opinions must comply with existing GAAP if a member believes that GAAP could and should be amended. But the alternative should be viable.

Protocols

Exposure Drafts

- 70 Ordinarily, a dissent should not be issued in relation to an ED because it should be possible to ensure that alternative views are canvassed in the Basis for Conclusions for the ED.¹⁰ Also, members may wish to see the views of constituents before formulating a dissent. It is quite possible that the cause for a dissent may come from the responses to the ED or related processes and even possible that dissent may come in the finalisation of a Standard. Whatever the reason for the dissent, members should indicate at the earliest possible time that they may dissent. Members who are contemplating a dissent should commit themselves to finding a solution, in the course of the preparation of the final Standard, which would remove the need for their dissent.

Wording of dissents

- 71 Dissenting members should work with the staff of the AASB to formulate the wording of any dissent. Dissenting opinions should clearly explain the basis for the dissent and include an outline of an alternative approach to that proposed in the ED or required by the Standard. The wording should be provided to other members before they vote on the issuance of an ED or Standard. This would normally mean that a pre-ballot draft would be needed when a dissent is to be published. Dissenting opinions should not reflect unnecessarily on the judgements leading to publication and should be objectively expressed.

¹⁰ The member would have to be convinced that the proposal, and any variation of it that could come from the exposure process, would be harmful to financial reporting or that a preferred alternative has not been adequately aired in the ED.

Placement of dissenting opinions

- 72 Dissenting opinions would be placed at the end of the Basis for Conclusions and form part thereof.

Other publications

- 73 It is not expected that dissents would be published with discussion papers or any other AASB publications apart from those covered above. Those other forms of publication provide less formal ways of drawing attention to alternative views.

Chair's prerogative

- 74 Dissents prepared in accordance with this Policy Statement will be published. The Chair has the right to reject a draft dissent if, in the Chair's opinion, this Policy Statement has not been complied with.

Post-implementation Review

- 75 Under the Legislative Instruments Act the AASB is required to ensure its Standards, that are legislative instruments, are kept up to date and only remain in force for as long as they are needed.
- 76 The AASB also has a policy of reviewing its Standards in light of implementation experience on a case-by-case basis. When those Standards relate to IFRSs the findings from an implementation review would be communicated to the IASB.

AASB MEETINGS

- 77 The AASB normally conducts meetings on 15 to 20 days per year with the schedule of meeting dates publicly communicated on the AASB website and in newsletters. The AASB discusses technical accounting matters in public. The number of members varies from time to time. A quorum for a meeting of the AASB is a majority of members.
- 78 The AASB also aims to hold meetings jointly with the New Zealand standard setter. These meetings may be conducted face-to-face or via video-conference.

Agenda Papers

- 79 The AASB publishes a range of agenda papers on the AASB website prior to each meeting. Agenda papers are prepared by the technical staff of the AASB for the purposes of discussion at its public meetings.

They can include staff views and tentative views of the Board expressed for the purpose of discussion and debate.

- 80 Official pronouncements of the AASB are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.