

## EXTRACT FROM MINUTES: AASB 28 JUNE 2007 MEETING

### GAAP/GFS HARMONISATION

#### Agenda item 2

The Board had before it:

- (a) a memorandum from Robert Keys and Natalie Batsakis dated 13 June 2007 (Agenda paper 2.1);
- (b) a staff note on the draft Illustrative Example to accompany ED 155 (Agenda paper 2.2);
- (c) a draft Supplement to ED 155 Financial Reporting by Whole of Governments – Illustrative Example (Agenda paper 2.3);
- (d) ED 155 Financial Reporting by Whole of Governments (Agenda paper 2.4); and
- (e) AASB 1049 Financial Reporting of General Government Sectors by Governments (Agenda paper 2.5).

The Board considered agenda paper 2.2, which lists the assumptions made by AASB staff in preparing the draft Illustrative Example, and agreed that the assumptions are appropriate for the purposes of developing an Exposure Draft. The Board agreed that the Supplement to ED 155 should include a cross-reference to agenda paper 2.2 on the AASB website so as to provide constituents with background information.

The Board noted:

- (a) the comments listed in agenda paper 2.2 that were provided to AASB staff as part of the consultation with HoTARAC GFS/GAAP Working Group members and AASB Public Sector Sub-Committee members on an earlier draft of the Illustrative Example;
- (b) that some of the comments relate to the underlying principles in ED 155 and therefore decided that they should not be reflected in the Illustrative Example which included concerns with:
  - (i) the treatment of transactions with owners as owners;
  - (ii) the prominence or requirement for reconciliation notes between GAAP and GFS;
  - (iii) the lack of symmetry in accounting for deferred tax balances between PNFC/PFC sectors and the GGS; and
  - (iv) the effective need for PNFC and PFC sector entities to potentially keep two sets of books, for example, both cost and fair value of property, plant and equipment;
- (c) that, although many of the other comments raised by the HoTARAC GFS/GAAP Working Group members and AASB Public Sector Sub-Committee members had merit, the Illustrative Example should remain consistent with Illustrative Example A in AASB 1049 *Financial Reporting of General Government Sectors by Governments*. In preparing the Standard to be developed from ED 155, the Board will further consider these issues and the implications on both ED 155 and AASB 1049; and
- (d) that some constituents have expressed a view that, in relation to the Standard to be developed from ED 155, separate Standards would be preferable to an integrated Standard.

The Board undertook a page-by-page review of the draft Supplement to ED 155 in agenda paper 2.3 and made the following amendments:

- (a) Page 4 first paragraph: replace “Illustrative Example A” with “This Supplement to ED 155”;
- (b) Page 12 (Note R1) and throughout notes R2, R3, S1, S2, S3, T and U: remove the reference to ‘intersector eliminations’ and refer to them only as ‘eliminations’, to avoid implying that the deferred tax balance elimination is an intersector elimination;
- (c) Page 19, Note S3: the heading should be changed to “Reconciliation to GFS Total Change in Net Worth”, from “Reconciliation to GFS Total Change in Net Worth before Transactions with Owners as Owners”, to more accurately reflect the nature of the reconciliations;
- (d) Page 25, note i: delete the phrase “...that is consolidated into the whole of government financial report...”, for consistency with paragraph 42 of ED 155 (which was drafted in light of the treatment of deferred tax balances);
- (e) Page 28, note 1, 2<sup>nd</sup> and 3<sup>rd</sup> sentences: for clarity, refer to “GFS” net worth, change in net worth, and remeasurement of shares and other contributed capital; and
- (f) Pages 30 and 31, notes r(i) and r(ii): delete “The convergence difference” and “arises”, to be consistent with other notes and with the lead-in.

The Board approved the Illustrative Example for issue, subject to the processing of final changes as identified during the page-by-page review, staff call-over and final clearance through the Chairman. The amended draft Illustrative Example is to be issued as Supplement to ED 155 *Financial Reporting by Whole of Governments – Illustrative Example* for consideration in conjunction with ED 155, due for comment by 17 August 2007.

Action:

Staff:

Chairman: