

Financial Reporting Council

Australian Accounting Standards Board

Annual Reports

2000-01

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28 September 2001

The Hon Peter Costello, MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

I have pleasure in presenting the annual reports of the Financial Reporting Council (FRC) and Australian Accounting Standards Board (AASB) for the year ended 30 June 2001. The reports have been prepared in accordance with section 235B of the *Australian Securities and Investments Commission Act 2001* (ASIC Act) and section 9 of the *Commonwealth Authorities and Companies Act 1997* (CAC Act).

Subsection 235B(1) of the ASIC Act requires the FRC, by 31 October each year, to prepare a report on its operations and those of the AASB during the year and on the achievement of the objects of Part 12 of the ASIC Act relating to accounting standards. Under subsection 235B(4) of the ASIC Act, the report must be tabled in each House of the Parliament as soon as practicable.

Subsection 9(1) of the CAC Act requires the directors of the AASB to prepare, by no later than 15 October, an annual report for the past financial year which includes a report of operations, financial statements and the Auditor-General's report on those financial statements. Under subsection 9(3) of the CAC Act, the report must be tabled in each House of the Parliament as soon as practicable.

Yours sincerely



Jeffrey Lucy, AM
Chairman

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ABBREVIATIONS

The following abbreviations are used throughout this report:

AASB	Australian Accounting Standards Board
ASIC	Australian Securities and Investments Commission
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i>
ASX	Australian Stock Exchange
CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
CPAA	CPA Australia (formerly the Australian Society of Certified Practising Accountants)
FRC	Financial Reporting Council
G4+1	National accounting standard setting bodies of Australia, Canada, New Zealand, the United States and the United Kingdom (with an observer from the IASC). The G4+1 was disbanded in January 2001.
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
ICAA	The Institute of Chartered Accountants in Australia
IFAC PSC	International Federation of Accountants Public Sector Committee
IOSCO	International Organisation of Securities Commissions
PSASB	Former Public Sector Accounting Standards Board
SAC	Standards Advisory Council (of the IASB)
UIG	Urgent Issues Group

CONTACT OFFICER

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OVERVIEW

Oversight by FRC

- Key functions of the FRC are to advise the Government on the accounting standard setting process and the development of international accounting standards, and to determine the broad strategic direction of the AASB.
- In performing its functions, the FRC has careful regard to the objectives of standard setting set out in the ASIC Act 2001 — with regard to facilitating the development of high quality accounting standards, facilitating the Australian economy, and maintaining investor confidence.
- During the year the FRC, amongst other things:
 - approved the AASB's revised 2000-01 budget of \$2.9 million and the AASB's proposed policy on publications and subscriptions;
 - approved the AASB's proposed standard setting priorities for 2001-02 without change;
 - considered the AASB's broad strategic direction and proposed budget and staffing arrangements for 2001-02, and endorsed the broad shape of the AASB's proposed business plan for 2001-02;
 - approved guidelines proposed by the AASB, which collate and codify the AASB's governance arrangements and approved a risk management program for the AASB as proposed by the Board;
 - approved a Charter for the Urgent Issues Group;
 - established an Audit Committee to assist the AASB and its directors to comply with their statutory obligations;
 - made two appointments of members of the AASB to replace members who had resigned from the Board;
 - established a Nominations Committee to make recommendations to the FRC on the composition of, and criteria for appointment to, the AASB; and

- recommended to the AASB that the approval required to make an accounting standard should formally require the affirmative vote of seven out of ten members of the AASB.
- The FRC also acted to facilitate and extend consultation by the FRC and AASB with stakeholders in the standard setting process.

This issue and the FRC's work on international accounting standards are outlined separately below.

Standard setting

- The AASB held 9 meetings in 2000-01 for a total of 17 meeting days, where it progressed some significant standard setting and administrative issues.
- A total of 7 new or revised accounting standards were made by the AASB in 2000-01.
- The Urgent Issues Group issued 9 new or revised Abstracts during 2000-01.

Consultation

- The FRC and AASB are jointly and individually seeking to ensure maximum consultation with, and input from, stakeholders on particular standards and the standard setting process.
- In 2000-01, the AASB:
 - established a Consultative Group, which met twice during the year;
 - in February 2001, conducted a survey of its Consultative Group members and other constituents regarding the Board's 2001-02 work program priorities;
 - used its website (www.aasb.com.au) to provide information about the Board, its meetings and activities, and its work program;
 - issued media releases to announce when new or revised accounting standards had been made; and
 - issued an *AASB Action Alert* after each AASB meeting to summarise the proceedings of the meeting.

- In 2000-01, the FRC:
 - issued 7 Bulletins about decisions taken at its meetings and other important developments in the accounting standard setting process;
 - maintained a close liaison with Australia's international representatives on the IASC, IASB and IFAC PSC — respectively, Mr Ken Spencer, Mr Warren McGregor and Mr Ian Mackintosh;
 - extended its consultation processes through meetings with business groups, company representatives and other stakeholders; and
 - has been developing a website (www.frc.gov.au), planned for release in the near future, to further facilitate consultation.

International

- The FRC has a statutory obligation: to monitor the development of international accounting standards and accounting standards that apply in major international financial centres; to further the development of a single set of accounting standards for world-wide use with appropriate regard to international developments; and to promote the adoption of international best practice accounting standards in the Australian accounting standard setting process if doing so would be in the best interests of both the private and public sectors in the Australian economy.
- In accordance with its statutory obligations, the FRC is considering the policy implications for Australia of developments including the recent changes to the IASC, including its restructuring as the IASB, and progress by national securities commissions in adopting the recommendation of IOSCO that, subject to a range of supplementary requirements, IOSCO members permit incoming multinational issuers to use 30 core international accounting standards to prepare financial statements for cross-border offerings and listings. The FRC is also monitoring the work of the European Commission, IFAC PSC and national accounting standard setting bodies in Canada, France, Germany, Japan, New Zealand, the United Kingdom and the United States.

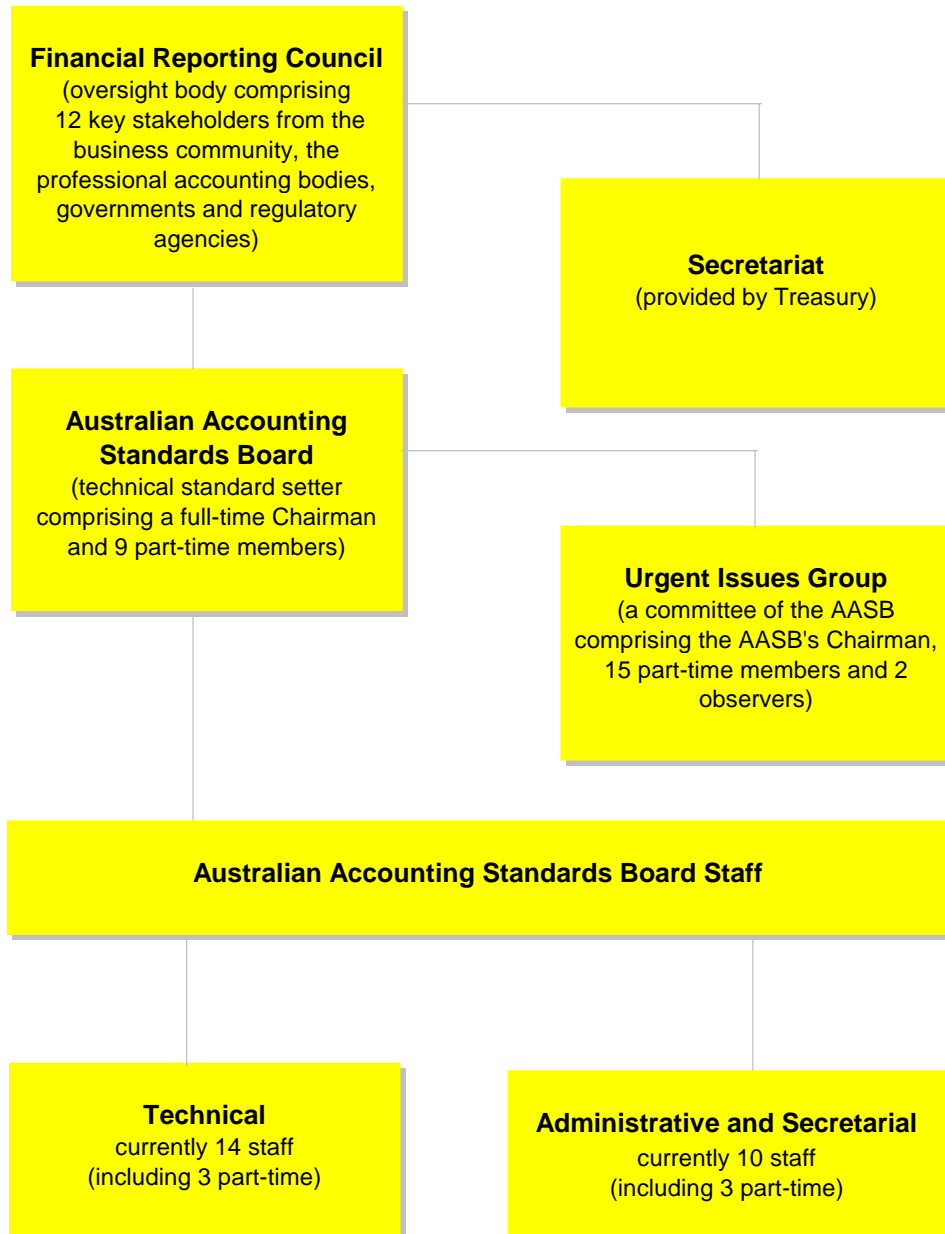
- Australians have been successful in obtaining appointment to both the IASB and the SAC. In addition, several Australians have been employed by the IASB's technical secretariat. Particulars of these appointments appear later in this report.

Accountability

- Mr Michael Ullmer, the FRC's Deputy Chairman, and Mr Keith Alfredson, the AASB's Chairman, separately appeared before the Senate Economics Legislation Committee during June 2001.

AUSTRALIAN ACCOUNTING STANDARD SETTING

Structure of institutional arrangements



FINANCIAL REPORTING COUNCIL

FINANCIAL REPORTING COUNCIL CHAIRMAN'S REPORT



Mr Jeffrey Lucy, AM

2000-01 was a significant year for accounting standard setting in Australia and internationally. It marked the first full year of operation of the FRC and the restructured AASB. It also marked the establishment of the IASB and the beginning of a partnership between the IASB, AASB and other national standard setters aimed at the eventual adoption world-wide of a single set of high quality accounting standards.

I think on both counts it was a successful year and certainly one on which very positive outcomes can be built.

During the year, the FRC met its statutory duties under the ASIC Act. These included providing broad oversight of the process of setting accounting standards in Australia, approving and monitoring the AASB's priorities, business plan, budget and staffing arrangements, determining the AASB's broad strategic direction, and appointing new members to the AASB. The FRC was also active in monitoring international standard setting developments and the operation of accounting standards in Australia.

A further ongoing task of the FRC is to seek contributions towards the costs of the Australian accounting standard setting process. Whilst preserving the independence of the standard setting process, we have obtained contributions from key stakeholders and in this regard I would like to acknowledge the continued substantial contributions from selected stakeholders towards the costs of the new arrangements, and in particular the increased contribution committed by the National Institute of Accountants for 2001-02. Since becoming Chairman in July 2001, I have concluded a round of discussions with all key stakeholders in which the funding question was canvassed — in particular, a greater contribution from the business sector, as was envisaged when the FRC framework was established. I am confident that sufficient funding will be available on an ongoing basis to meet the resource needs of the AASB, including to support its important liaison role with the IASB.

I was struck during these discussions by the high level of support apparent among stakeholders for Australia's new standard setting arrangements. There is a clear sense that the structures are right and are capable of producing standard setting outcomes of a consistently high quality. Importantly, the scope for stakeholder consultation and input has been significantly broadened while safeguarding the technical independence of the AASB.

I would like to pay tribute to the work of the Board, particularly its full-time Chairman, Keith Alfredson, and the AASB staff. They have successfully made a difficult transition from the old standard setting regime and are operating effectively and with a high degree of professionalism. The AASB is conscious that its 2000-01 work program proved to be optimistic and has made some changes aimed at streamlining its policies and procedures. The FRC will continue to do all it can to assist the Board in this regard.

During the year the FRC was also active in strengthening its own procedures. In particular, it established a Nominations Committee, chaired by the Deputy Chairman, Michael Ullmer, to make recommendations to the FRC on future appointments to the AASB. Drawing partly on responses to a recent national press advertisement, the Committee will maintain a list of qualified people interested in future appointment to the Board, significantly streamlining appointment processes.

The FRC also extended its consultation processes through meetings with business representatives and other stakeholders. I intend as Chairman to continue the formal consultations with key stakeholders initiated in August 2001, supplementing other more regular contacts.

Internationally, the restructuring of the IASB was largely completed during the year. The new body assumed accounting standard setting responsibilities from its predecessor on 1 April 2001 and has announced its initial work program.

Australians are very well represented on the various forums of the restructured body: Mr Ken Spencer is a Trustee of the IASC Foundation; Mr Warren McGregor is a liaison member of the IASB; and Mr Peter Day and Mr Ian Mackintosh are members of the Standards Advisory Council. Mr Kevin Stevenson, currently a member of the AASB, was appointed Director of Technical Activities at the IASB in June 2001 and will take up this position in February 2002. The FRC is working in close consultation with Australia's international representatives.

The AASB will now be working closely with the IASB, aligning its work program (to the extent possible) with the IASB's, leading certain projects on the IASB agenda and providing support on others. We should begin to see within a few years whether the work of the IASB, in collaboration with national

standard setters, is producing quality international standards capable of wide acceptance in major international capital markets and eventual adoption for world-wide use. The FRC and AASB are committed to the international effort to assist this outcome.

This is an important issue for Australia. The rapid expansion of international capital flows has increased pressures for — and the benefits available from — a common accounting language. A single set of high quality accounting standards will greatly facilitate cross-border comparisons by investors and assist Australian companies wishing to raise capital or list overseas.

In line with the convergence objective, it is important that, in setting standards, the AASB take full account of standards issued or being developed by the IASB or IFAC PSC other than in exceptional circumstances. This approach has been developed and carried into the AASB's proposed revised policy statement on international convergence and harmonisation. The FRC recognises that this approach may give rise to a situation where there is an international intent to develop a standard but where in the interim there is no Australian standard. We will of course need to be satisfied that the adoption of a particular set of best practice international accounting standards is in the best interests of the Australian private and public sectors.

I wish to acknowledge the valuable contributions made to the work of the FRC by all of its members, including Ms Jan McCahey and Dr Diana Wright, who left the Council during the year.

I would especially like to thank our inaugural Chairman, Paul Rizzo, for his contribution to the establishment of the new accounting standard setting arrangements in Australia, and the FRC Deputy Chairman, Michael Ullmer, for ably filling the Chairman's role in the period following Paul Rizzo's departure in February. The high level of commitment and support provided by our secretariat through Mr Michael Kooymans has been critical in helping the FRC meet its objectives.

The year ahead promises to be challenging, especially now that the new IASB is open for business. We look forward to that challenge.



Jeffrey Lucy, AM
Chairman of FRC
28 September 2001

FINANCIAL REPORTING COUNCIL GOVERNANCE

Establishment, functions and powers

The FRC is a statutory body which was established under subsection 225(1) of the *Australian Securities and Investments Commission Act 1989*, and which is continued in existence by section 261 of the *Australian Securities and Investments Commission Act 2001* (the ASIC Act). Under subsection 225(2) of the ASIC Act, the FRC is responsible for providing broad oversight of the process for setting accounting standards in Australia and giving the Minister reports and advice on that process.

Specific matters for which the FRC is responsible include:

- overseeing the operations of the AASB, including:
 - appointing its members (other than the Chair, who is appointed by the Treasurer);
 - approving and monitoring its priorities, business plan, budget and staffing arrangements;
 - determining its broad strategic direction;
 - giving it directions, advice or feedback on matters of general policy and its procedures; and
 - monitoring the effectiveness of its consultative arrangements;
- monitoring the development of international accounting standards and accounting standards that apply in major international financial centres;
- promoting the adoption of international best practice accounting standards in the Australian accounting standard setting process if doing so would be in the best interests of the Australian economy;
- monitoring the operation of Australian accounting standards to assess their continued relevance and effectiveness in achieving their objectives; and
- seeking contributions towards the costs of the Australian accounting standard setting process.

The legislation expressly limits the FRC's ability to become involved in the technical deliberations of the AASB. It provides that the FRC does not have power to direct the AASB in relation to the development, or making, of a

particular standard, or to veto a standard formulated or recommended by the AASB. This provision is designed to ensure the independence of the standard setter on technical matters.

Membership and meetings

Under section 235A of the ASIC Act, the members of the FRC are appointed by the Treasurer and hold office on terms and conditions determined by the Treasurer. The Treasurer in the past has appointed FRC members from nominations put forward by key stakeholder groups.

A full list of members during 2000-01, their qualifications and the stakeholders who nominated them, is in Appendix A. In addition, alternate members have been appointed to participate in FRC meetings when the members for whom they are appointed are unable to attend. Their details also appear in Appendix A.

OPERATIONS AND ACTIVITIES

Appointments to the AASB

In the second half of 2000-01, the FRC established a Nominations Committee to make recommendations to the FRC on the composition of, and criteria for appointment to, the AASB.

The Chairman of the Nominations Committee is FRC Deputy Chairman Mr Michael Ullmer. The other members of the Committee are the AASB Chairman, Mr Keith Alfredson, and FRC members Mr Don Challen and Mr Robert Nottle, CBE.

The Nominations Committee held one formal meeting in 2000-01, on 21 May 2001. At this meeting it agreed to recommend for the FRC's approval a proposed Charter of the Committee and a draft Framework for Appointments to the AASB. The Charter and Framework for Appointments, as approved by the FRC, were released publicly on 18 June 2001. The Committee also considered candidates for appointment to the AASB, to fill a vacancy caused by the resignation of Dr Doug McTaggart. Mr Wayne Cameron, Auditor-General of Victoria, was recommended to the FRC and appointed to the AASB on 7 June 2001 for a three year term. Since the end of the year, the FRC has advertised in the national press seeking expressions of interest from people wishing to be considered for appointment to the AASB.

Overseeing the AASB

The FRC's responsibilities include approving the AASB's priorities, business plan, budget and staffing arrangements.

On 8 September 2000, the FRC approved the AASB's revised budget for 2000-01, the AASB's proposed policy on publications and subscriptions, a Charter for the UIG, and also recommended to the AASB that the approval required to make an accounting standard should formally require the affirmative votes of seven out of ten members of the AASB. Further, at this meeting the FRC established an Audit Committee to assist the AASB and its directors to comply with statutory obligations.

On 4 June 2001, the FRC approved the AASB's proposed standard setting priorities for 2001-02 without change. These work program priorities are set out at Appendix F. The FRC also considered the AASB's broad strategic direction and proposed budget and staffing arrangements for 2001-02, and endorsed the broad shape of the AASB's proposed business plan for 2001-02. In addition, the FRC approved guidelines proposed by the AASB, which collate and codify the AASB's governance arrangements, and approved a risk management program for the AASB as proposed by the Board.

International accounting standards

The FRC is monitoring and assessing developments in international accounting standard setting, including the work of the IASB, national accounting standard setting bodies in Canada, France, Germany, Japan, New Zealand, the United Kingdom and the United States. It is also monitoring the work of the European Commission, the International Federation of Accountants Public Sector Committee, and the pronouncements of national securities market regulators in major capital markets.

Consultation

The FRC regularly issues a Bulletin about decisions taken at its meetings and other important developments in accounting standard setting. The Bulletin, which is available in both paper and electronic versions, is distributed to the media and stakeholders. Requests for past issues, and for inclusion on the distribution list for future issues, should be sent to the FRC's Secretary (see address below).

During the financial year, representatives of a number of corporations, business organisations and other stakeholder bodies met with members of the FRC to discuss issues relating to accounting standard setting.

On 16 November 2000, then FRC member Dr Diana Wright presented a speech on the new accounting standard setting arrangements at the 2000 Public Sector Congress.

Finances

Section 238 of the ASIC Act provides that the moneys of the AASB may be applied in meeting the administrative expenses of the FRC and the payment of any remuneration and allowances payable to a person appointed under Part 12 of the ASIC Act.

During 2000-01, FRC members did not receive remuneration or allowances, their expenses of attending meetings being met by nominating stakeholder bodies. Since the end of the year, the FRC has determined that out of pocket expenses incurred by members after 30 June 2001 in enabling them to fulfil their roles, including attendance at meetings, will be met by the AASB where not otherwise met by stakeholder bodies.

FREEDOM OF INFORMATION

The FRC maintains possession of the following documents:

- FRC meeting agenda papers;
- administrative and technical papers concerning the FRC's functions and its performance of those functions;
- copies of Bulletins issued by the FRC; and
- correspondence with stakeholder groups and members of the public.

Requests under the *Freedom of Information Act 1982* for access to documents in the possession of the FRC can be directed to the FRC secretariat using the contact details set out below.

One application under the *Freedom of Information Act 1982* was received by the FRC during the year.

CONTACTING THE FINANCIAL REPORTING COUNCIL

The FRC can be contacted as follows:

Post: Mr Michael Kooymans
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AUSTRALIAN ACCOUNTING STANDARDS BOARD

AUSTRALIAN ACCOUNTING STANDARDS BOARD CHAIRMAN'S REPORT



Mr Keith Alfredson

Work program

The year to 30 June 2001 was a year of significant challenge for all members of the AASB. The Board finalised and issued two new and five revised standards. However, a number of projects on the 2000-01 work program, as set forth in the 1999-2000 annual report, were not completed. The status of the 2000-01 program is reported in Appendix E. History has shown that the approved program was too optimistic with the main limiting factor being the lack of available Board time to deal with the large range of technical issues covered in the planned new or revised standards and other projects. This was despite the fact that the Board held eight two day meetings, plus an unscheduled one day meeting. This was a heavy commitment for the nine part-time Board members especially in view of the significant preparation time required before Board meetings to study the range of detailed technical papers.

Another significant factor that contributed to the work program shortfall was that most of the projects before the Board during the year were inherited from the former AASB and the former Public Sector Accounting Standards Board in a relatively advanced stage of consideration by those Boards. At the time of preparing the work program I assumed that only limited Board time would be necessary to finalise these projects. This proved not to be the case especially on the more complex projects such as employee benefits and provisions and contingencies. The Board considered it was necessary, in order to appropriately perform its role, to redeliberate many of the complex issues considered by the former Boards, especially where questions of international harmonisation were involved. This proved particularly time consuming.

Nevertheless, I believe the Board's accomplishments are commendable.

Responding to concerns of constituents

The Board responded to concerns of constituents by issuing AASB 1043 *Changes to the Application of AASB and AAS Standards and Other Amendments* in order to clarify certain issues relating to the scope of disclosures in interim financial reports and Exposure Draft ED 101 *Revaluation of Non-Current Assets: Proposed Amendments to AASB 1041/AAS 38*. In addition, the Board fast-tracked limited amendments to AASB 1027 *Earnings per Share* prior to 30 June 2001 to rectify minor technical anomalies relating to the calculation of diluted earnings per share in certain limited situations. While the Board was unable to meet its announced intention to amend AASB 1041/AAS 38 prior to 30 June 2001, the revised standard AASB 1041, which incorporates the former AAS 38, was made at a special meeting of the Board on 17 July 2001. The making of that Standard at that date permits entities to early adopt its requirements, where relevant, in their 30 June 2001 financial reports. Such early adoption provides entities with the opportunity to avoid certain disclosures relating to the reconciliation of non-current assets, other than property, plant and equipment, which were considered by the Board to be unduly onerous.

These three actions are, I believe, examples of the Board's strong desire to consider concerns raised by constituents and to respond accordingly. These projects were all time consuming and contributed, in part, to the Board's inability to act on other planned priorities.

Of course while the Board has a heavy responsibility to listen to the concerns of constituents, it must necessarily independently review and debate the issues raised. This will inevitably cause the Board on occasions to make decisions that may not align with the views of certain of its constituents. This was the case during the year when the Australian Retailers' Association requested the Board to either amend or defer the newly operative requirement of AASB 1018 and AAS 1 *Statement of Financial Performance* (issued in October 1999) that entities disclosing revenue from the sale of goods disclose the cost of sales relating to the sale of those goods. The Board concluded there were insufficient grounds supporting the requested amendment having regard to the usefulness of the cost of sales information from the perspective of users of financial reports. In the coming months, the Board intends to monitor issues relating to the implementation of AASB 1018 and AAS 1 and also AASB 1034 and AAS 37 *Financial Report Presentation and Disclosures* and AASB 1040 and AAS 36 *Statement of Financial Position*.

Survey of constituents

The AASB took an important initiative in February 2001 when it conducted a survey of Consultative Group members, Board members and other constituents to solicit views about work program priorities for the year 2001-02, topics that should be given a high priority by the newly reconstituted IASB on its work program and also the quality of the AASB's communications. The survey was conducted via both hard copy questionnaire and the Board's web site. It was pleasing that there was a high response rate from Consultative Group and Board members and a further forty other respondents from the private and public sectors.

The survey provided valuable perspectives about the Board's work program priorities and overall direction as well as suggested changes to improve the effectiveness and usefulness of AASB communications. The Board's approved work program for 2001-02 is in harmony with the results of the survey.

2001-02 Work program

The AASB's standard-setting priorities for the year to 30 June 2002 have been approved by the FRC. These priorities are set out in Appendix F.

Enhancing communications

Various steps have been taken by the Board and AASB staff to enhance communications by the AASB to all constituents.

A significant initiative has been the upgrade of the AASB's web site (www.aasb.com.au). The web site is viewed by the Board as a key communications tool for the timely dissemination of material relating to the activities of the Board and the Urgent Issues Group. The AASB has recently commenced posting project summaries on the web site so as to report the status of projects, including the tentative decisions of the Board on key issues, on a timely basis. Further, key Board papers are posted on the web site prior to each Board meeting. To my knowledge no other major accounting standard setting body has adopted the practice of posting Board papers on its web site. These actions are designed to enhance the transparency of the Board's standard setting processes.

In late June 2001, the AASB issued the first edition of *Transparency*. The objective of this AASB newsletter, which is to be published periodically, is to enhance communications by the AASB to all constituents. The newsletter will be forwarded to AASB subscribers and will be freely available on the AASB

web site. Its articles will not only be technical but will also cover news items relating to the AASB and its staff.

International Activities

Australia has for many years placed a high priority on contributions to international accounting standard setting activities through involvement with the former IASC and its committees, IFAC PSC and the G4+1, a former group of representatives from the accounting standard setting bodies of Australia, Canada, New Zealand, the United Kingdom and the United States of America together with the former IASC.

The current year has seen a continuation of international involvements. The AASB continued participating in G4+1 activities until its disbandment in January 2001. These activities included hosting a meeting of the G4+1 in Sydney in October 2000. Staff of the AASB provided technical support to Australia's representatives on the IASC until its replacement by the IASB on 1 January 2001 and to Australia's representative on the IFAC PSC. Technical support was also provided to representatives on the Extractive Industries and Insurance Steering Committees of the IASC and also the Joint Working Group of standard setters that finalised a Draft Standard on *Accounting for Financial Instruments and Similar Items* in December 2000.

Transformation of international standard setting

History will, in my view, eventually record 2001 as the year in which international accounting standard setting was transformed into a robust process designed to lead to the establishment of a set of high quality global accounting standards supported by national standard setting bodies around the world. This real possibility results from the reconstitution of the former IASC as the IASB with twelve full-time and two part-time members, under the leadership of Sir David Tweedie, the former chairman of the UK Accounting Standards Board.

I believe the IASB will have more influence over the strong national standard setting bodies such as the US Financial Accounting Standards Board, the Canadian Accounting Standards Board and the UK Accounting Standards Board as Sir David Tweedie has called for an international partnership amongst the eight national standard setting bodies that have been given special liaison status with the IASB. These bodies are the standard setting bodies from Australia, Canada, France, Germany, Japan, New Zealand, United Kingdom and the United States of America. An IASB member has been given special liaison responsibility with each of these standard setting bodies. The

AASB liaison IASB member is Mr Warren McGregor, a former Director of the Australian Accounting Research Foundation. He has been given non-voting observer status at all AASB meetings. The aim of the international partnership is to assist in the convergence of national standards so that a single set of high quality standards will eventually be accepted globally.

The liaison standard setting bodies have been asked to align, to the extent possible, their work programs with that of the IASB and to work with the IASB by leading certain projects on the IASB agenda and by supporting others. The ultimate success of this arrangement will, of course, depend on the willingness of the national standard setting bodies to accept the final views of the IASB where such acceptance will lead to high quality international convergence amongst the major standard setting bodies, even though those views may not be the preferred position of a particular body.

Regular meetings of chairmen of the IASB liaison standard setting bodies with the IASB are to be held. I concur with the comment made by Sir David Tweedie in an IASB media release prior to the initial meeting of the IASB and the chairmen of each of the liaison standard setting bodies. Sir David commented 'This meeting marks an important launching of the partnership between the new Board and national bodies. Together we have a once-in-a-lifetime opportunity to make rapid progress toward our goal of a single set of high quality global accounting standards.'

The AASB has recently issued an exposure draft of a new *International Convergence and Harmonisation Policy* that accords with the requested IASB approach. The issue of this exposure draft illustrates the Board's determination to take a leadership position on this new approach. I am delighted to report that Mr Jim Paul, a AASB senior project manager, agreed to a secondment to the IASB staff from August 2001. He has joined an impressive group of technical staff which the IASB has assembled to assist it in its challenging tasks. This staff will include Mr Kevin Stevenson as Director of Technical Activities. Kevin is a current AASB member and served as Executive Director of the Australian Accounting Research Foundation from 1979-86. Kevin's technical expertise will be greatly missed by the AASB. I have no doubt that the IASB will gain much from his appointment, which he will assume on a full-time basis in February 2002.

Board Changes

Mr Ian Mackintosh resigned from the Board on 17 October 2000 following his appointment as Chief Accountant of the Australian Securities and Investments Commission. His contribution to the Board was significant. Fortunately, Mr Mackintosh's expertise has not been lost to the Board as he continues as an

observer on the Board in view of his position as Chairman of the IFAC PSC. Mr Kevin Stevenson was appointed to the Board on 20 December 2000.

Because of other commitments, Dr Douglas McTaggart regrettably found it necessary to resign from the Board on 16 March 2001. His business-like style was particularly helpful to the Board. Mr Wayne Cameron, Auditor General of Victoria, was appointed to the Board on 7 June 2001.

Urgent Issues Group

The Urgent Issues Group (UIG) provides a valuable service through its interpretations of the requirements of accounting standards in particular circumstances. The role of the UIG is not easy for the very fact that the issues considered are referred to the UIG by constituents indicates that an obvious answer is not always evident. During the year to 30 June 2001, the UIG issued nine new or revised abstracts.

Appreciation

I have enjoyed serving as Chairman of the AASB and UIG during the past year.

Much has been achieved. However, none of these achievements would have been possible without the effort and contributions made by other Board members, other UIG members, the AASB technical and administrative staff, and by other AASB constituents. I am particularly pleased that there has been a growing renewed interest in the making of submissions in response to exposure drafts and also in the field-testing of new proposals. Such constructive participation is essential, in my view, to successful standard setting. In addition, the input from and smooth overall working relationship with the FRC has been particularly helpful to the operations of the AASB.

I am grateful for all of these efforts and I look forward to this participation continuing.



Keith Alfredson
Chairman of AASB
28 September 2001

AASB DIRECTORS' REPORT OF OPERATIONS

The members of the FRC, who are the directors of the AASB for the purposes of the CAC Act, have prepared this report under section 9 of the CAC Act in accordance with the requirements contained in the *Commonwealth Authorities and Companies Orders 1998* made by the Minister for Finance and Administration on 17 August 1998, and the requirements of the *Commonwealth Authorities and Companies (Financial Statements 2000-01) Orders* made by the Minister for Finance and Administration on 24 May 2001.

Establishment, functions and powers

The AASB is a body corporate with perpetual succession established under subsection 226(1) of the *Australian Securities and Investments Commission Act 1989*, and is continued in existence by section 261 of the *Australian Securities and Investments Commission Act 2001* (the ASIC Act). Under subsection 227(1) of the ASIC Act, the AASB's functions are:

- to develop a conceptual framework, not having the force of an accounting standard, for the purpose of evaluating proposed accounting standards and international standards;
- to make accounting standards under section 334 of the Corporations Act for the purposes of the national scheme laws;
- to formulate accounting standards for other purposes;
- to participate in and contribute to the development of a single set of accounting standards for world-wide use; and
- to advance and promote the facilitation of the development of accounting standards that require the provision of financial information that is relevant and reliable, facilitates comparability and is readily understandable to allow users to make and evaluate decisions about allocating scarce resources, and assessing the performance and financial position of entities.

Subsection 227(3) of the ASIC Act provides the AASB with the following powers:

- to engage staff and consultants;
- to establish committees, advisory panels and consultative groups;
- to receive money contributed towards its operating costs; and
- to do anything else that is necessary for, or reasonably incidental to, the performance of its functions.

Consistent with the functions and powers conferred on it by section 227 of the ASIC Act, the reconstituted AASB seeks to meet its objectives by developing and issuing Accounting Standards and Statements of Accounting Concepts.

Directors

The names of FRC members during the period covered by this report, and their qualifications, are listed in Appendix A. Details of their attendance at FRC meetings are contained in Appendix D. All FRC members are non-executive directors of the AASB.

Technical activities of AASB during 2000-01

Membership and meetings of AASB

Under the revised standard setting arrangements, the Chairman and members of the AASB are appointed under section 236B of the ASIC Act. The Chairman is appointed by the Treasurer while other 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. The Chairman and members hold office on the terms and conditions that are determined by the Treasurer and FRC respectively. Appointments may be made for a period of up to 5 years and retiring members are eligible for reappointment.

The members of the AASB during 2000-01 are listed in Appendix B. The Board held 9 meetings for a total of 17 meeting days during the year, and attendance of members at these meetings is set out in Appendix D.

Standard setting

The AASB has responsibility for accounting standard setting.

During the year, the Board issued or reissued the following standards and other documents:

New standards

AASB 1042 Discontinuing Operations (issued August 2000).

AASB 1043 Changes to the Application of AASB and AAS Standards and Other Amendments (issued December 2000).

Revised standards

- AASB 1005 Segment Reporting (revised August 2000).
- AASB 1012 Foreign Currency Translation (revised November 2000).
- AASB 1027 Earnings per Share (revised October 2000 and June 2001).
- AASB 1028 Employee Benefits (revised June 2001).
- AASB 1029 Interim Financial Reporting (revised October 2000).

Policy statements

- PS 2 The AASB Consultative Group (revised June 2001).
- PS 4 AASB Project Advisory Panels (revised June 2001).

Exposure drafts

- ED 101 Revaluation of Non-Current Assets: Proposed Amendments to AASB 1041/AAS 38 (issued March 2001).

Invitations to comment

The AASB posted Invitations to Comment on its web site in respect of:

- Changes to the Application of AASB and AAS Standards and Other Amendments (November 2000).
- Proposed revisions to AASB 1027 Earnings per Share (April 2001).

In addition, the AASB, as a member of the Financial Instruments Joint Working Group of Standards Setters, issued an Invitation to Comment *Accounting for Financial Instruments and Similar Items* (December 2000) in conjunction with the IASC and other national standard setters.

Urgent Issues Group

The UIG's purpose is to review on a timely basis in the context of existing Accounting Standards and Statements of Accounting Concepts, accounting issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidance, with a view to reaching a consensus as to

the appropriate accounting treatment. The UIG comprises 16 members drawn from a wide range of constituent groups. A consensus of the UIG requires that 11 or more members vote in favour of, and no more than 3 members vote against, the proposed treatment for the issue in question. The AASB has a reserve power of veto over UIG consensus views and at its 27-28 June 2001 meeting, vetoed the UIG's proposed consensus view on Subscriber Acquisition Costs for the Telecommunication Industry. A UIG consensus view is published in an Abstract. A full list of UIG Abstracts and their issue dates is at Appendix G.

The following abstracts were issued during the financial year:

New

- Abstract 35 Disclosure of Contingent Liabilities (issued August 2000).
- Abstract 36 Non-Monetary Contributions Establishing a Joint Venture Entity (issued December 2000).
- Abstract 37 Accounting for Web Site Costs (issued January 2001).
- Abstract 38 Contributions by Owners Made to Wholly-Owned Public Sector Entities (issued January 2001).

Revised

- Abstract 15 Early Termination of Foreign Currency Hedges (revised August 2000).
- Abstract 18 Early Termination of Gold Hedges (revised December 2000).
- Abstract 25 Redesignation of Hedges (revised December 2000).
- Abstract 29 Early Termination of Interest Rate Swaps (revised December 2000).
- Abstract 32 Designation as Hedges — Rollover Strategies (revised December 2000).

Due process

The AASB adopts a comprehensive 'due process' (outlined in PS 1 *The Development of Statements of Accounting Concepts and Accounting Standards*)

when developing its pronouncements, and encourages the preparers and users of financial reports to participate actively in the standard-setting process by:

- communicating its views and policies to a broad range of interested parties via Discussion Papers, Accounting Theory Monographs, Invitations to Comment and Exposure Drafts;
- meeting with representatives of interested parties and organisations;
- inviting public comment on its policies, procedures, priorities and standards under consideration;
- issuing media releases related to its activities; and
- maintaining a web site (www.aasb.com.au).

In addition, the AASB publishes an *AASB Action Alert* to keep interested parties informed of the AASB's deliberations at each of its meetings.

Consultative group

During the year the AASB established a Consultative Group which brought together the interest groups represented on the consultative groups of the previous AASB and former PSASB. The purpose and operation of the Consultative Group is set out in Policy Statement PS 2 'The AASB Consultative Group' as revised and reissued in June 2001.

The Consultative Group held 2 meetings during the year, in October 2000 and May 2001. In February 2001, the AASB surveyed this group's members to ascertain their views on the AASB's 2001-02 work program priorities.

Liaison with constituents

The AASB meets with a wide range of people to discuss matters of interest both generally and in relation to specific projects.

Use of web site

The AASB maintains a web site (www.aasb.com.au). The web site is used to provide information about the AASB, its activities and work program to its constituents and other interested parties. The AASB has also taken the decision to post copies of key AASB Board papers on its website, prior to meetings. The AASB publishes brief summaries of key projects on the Board's web site

outlining the background to each project and recent progress and Board decisions and has indicated its intention to investigate ways of further developing its web site to seek comments and feedback from constituents via electronic means. The AASB also uses the web site to seek comments on exposure drafts in order to facilitate urgent action on projects and to make selected agenda papers available to the public.

Seminars

Members of the AASB and its staff are available to present papers on matters relating to the AASB's work program at seminars, congresses and conferences held throughout Australia.

International activities

Standard-setting must keep pace with the constant changes in the reporting environment and a 'once-off' program to harmonise is unlikely to remove all of the incompatibilities between Australian standards and those of other major standard-setters. For this reason, the AASB has an ongoing broader element to its International Harmonisation Program which is designed to ensure that Australian standards keep pace with world's best practice and continue to enhance the credibility and efficiency of the Australian capital markets and assist Australian business' participation in overseas capital markets. This broader element of the AASB's International Harmonisation Program involves closely monitoring the activities of other relevant national accounting standard-setting bodies, particularly those in the United States of America, Canada, New Zealand, and the United Kingdom, in addition to those of the IASB. The AASB uses the work of these standard-setting bodies in the development of Australian pronouncements and endeavours to ensure that, where possible, the pronouncements are consistent with those of its international counterparts.

Prior to the restructuring of the IASC, the AASB was involved with the G4+1 group of standard setters. The G4+1 comprised Australia, Canada, New Zealand, the United States of America, and the United Kingdom, with an observer from the IASC. Through close working relations with this group, the AASB was able to contribute directly to the international development of accounting standards. As a result of the restructuring of the IASC, the G4+1 disbanded and cancelled its activities in January 2001.

Under arrangements applying to the end of 2000 the Australian members of the IASC Board were appointed by the CPAA and the ICAA. AASB staff provided technical assistance to these members and attended meetings of the

IASC. During the year, Australia was also represented by a former AASB member on the International Joint Working Group on Financial Instruments; by a former UIG member on the IASC's Standing Interpretations Committee; by a former AARF staff member who was Chairman of the IASC Steering Committee on Insurance; and by a former AASB member who was Chairman of the IASC's Steering Committee on Extractive Industries.

The restructuring of the IASC significantly progressed in 2000-01. The restructured organisation, renamed the IASB, has 2 main bodies, a Board of Trustees and a Standards Board, as well as a Standards Interpretation Committee and Standards Advisory Council. The Trustees appoint the Board members, exercise oversight and raise funds needed, whereas the Board has sole responsibility for setting accounting standards. The Board comprises 12 full-time members including a full-time Chairman and 2 part-time members appointed by the Trustees.

Australia also has representation on the IFAC PSC. Australia's representative on the IFAC PSC is appointed by the ICAA and the CPAA. Australia's current representative and Chairman of the IFAC PSC is Mr Ian Mackintosh. AASB staff provide technical support for Australia's involvement in this committee as part of the AASB's commitment to international activities that impact on public sector reporting in Australia.

Indemnities and insurance premiums for directors and officers

No indemnities have been given or agreements made in respect of any current or former officer of the AASB. The AASB has arranged professional indemnity insurance with COMCOVER, to a value of \$20 million and at a cost of \$11,000.

Audit committee

Three FRC members comprise the AASB's Audit Committee. They are Ms Elizabeth Alexander, AM (Chair), Mr Graeme McGregor, AO and Mr Robert Nottle, CBE. Mr Jeffrey Lucy and Ms Jan McCahey were members of the Audit Committee, but resigned and were replaced by Mr McGregor and Mr Nottle.

Two meetings of the Audit Committee were held during 2000-01, with Ms Alexander, Mr Lucy and Ms McCahey attending both meetings, where members considered the financial statements of the AASB and assessed the risk management plan for the AASB.

Ministerial responsibility

The Treasurer, the Hon. Peter Costello MP, and, in matters determined by him, the Minister for Financial Services and Regulation, the Hon. Joe Hockey MP, are the Ministers responsible for the AASB under the ASIC Act.

Preparation of report

The report is made in accordance with a resolution of the directors passed on 28 September 2001 and is signed in accordance with that resolution.

A handwritten signature in black ink, appearing to read 'J. Lucy', is positioned above the printed name of the signatory.

Jeffrey Lucy, AM
Chairman of the FRC
28 September 2001

AASB PUBLICATIONS

All authoritative pronouncements issued by the AASB and UIG, including Statements of Accounting Concepts, Policy Statements, Accounting Standards (AASB and AAS series), Accounting Interpretations and UIG Abstracts, are available for purchase from the AASB. A full list of pronouncements currently on issue is at Appendix G.

The AASB also publishes a range of other documents, including:

- an *AASB Action Alert* to keep interested parties informed of the AASB's deliberations at each of its meetings;
- exposure drafts of proposed new and revised accounting standards;
- invitations to comment (often concerning significant revisions to proposals previously issued as exposure drafts);
- Accounting Theory Monographs;
- consultative and discussion papers issued in conjunction with the IASB and other national accounting standard setters; and
- *Transparency*, a periodical newsletter on the activities of the AASB.

The AASB provides subscription services in respect of most of these documents. In addition, individual copies are available for sale. Further information can be obtained from the AASB using the contact details set out below.

FREEDOM OF INFORMATION

The AASB maintains possession of the following documents:

- copies of Accounting Standards;
- copies of Exposure Drafts and Invitations to Comment;
- copies of Media Releases;
- AASB and UIG meeting agenda papers;
- correspondence with constituents, including responses to Exposure Drafts and Invitations to Comment; and
- internal technical and administrative papers, including project proposals, key decisions questionnaires, issues papers, draft Exposure Drafts and draft Accounting Standards.

Requests under the *Freedom of Information Act 1982* for access to other documents in the possession of the AASB can be directed to the AASB Secretary using the contact details set out below.

No applications under the *Freedom of Information Act 1982* were received by the AASB during the year.

CONTACTING THE AUSTRALIAN ACCOUNTING STANDARDS BOARD

The AASB can be contacted as follows:

Post:	The Secretary Australian Accounting Standards Board Level 3, 530 Collins Street MELBOURNE VIC 3000
Telephone:	(03) 9617 7600
Facsimile:	(03) 9617 7608
Document Exchange	DX 30897 Document Exchange
E-mail:	standard@asb.com.au

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AUSTRALIAN ACCOUNTING STANDARDS BOARD
STATEMENT BY DIRECTORS

In our opinion, the attached financial statements give a true and fair view of the matters required by Schedule 1 of the *Commonwealth Authorities and Companies (Financial Statements 2000-2001) Orders* for the 12 months ended 30 June 2001.



Director
28 September 2001



Director
28 September 2001

**Australian Accounting Standards Board statement of financial performance
for the year ended 30 June 2001**

	Notes	2001 \$	2000* \$
Operating revenues			
Revenues from government	4A	1,502,598	1,040,520
Sales of publications	4B	226,276	135,134
Interest	4C	22,396	3
Grants and contributions	4D	1,375,828	428,000
Other		2,082	
Total operating revenues		3,129,180	1,603,657
Operating expenses			
Employees	5A	1,948,950	944,107
Suppliers	5B	765,878	478,089
Depreciation and amortisation	5C	149,989	15,956
Total operating expenses		2,864,817	1,438,152
Operating surplus		264,363	165,505
Total changes in equity other than those resulting from transactions with owners.		264,363	165,505

The above statement should be read in conjunction with the accompanying notes.

* The financial statements presented for comparative purposes are for the six months ended 30 June 2000. Refer to Note 1.1.

**Australian Accounting Standards Board statement of financial position
as at 30 June 2001**

	Notes	2001 \$	2000* \$
ASSETS			
Financial assets			
Cash	6A	312,008	33,539
Receivables		9,621	2
Term deposit	6A	306,716	-
Total financial assets		628,345	33,541
Non-financial assets			
Leasehold improvements	7A	250,198	344,022
Plant and equipment	7B	134,395	20,247
Inventory		1,952	-
Prepaid expenses		10,946	-
Total non-financial assets		397,491	364,269
Total assets		1,025,836	397,810
LIABILITIES			
Debt			
Loans	8A	-	50,200
Total Debt		-	50,200
Provisions			
Employees	9A	364,339	5,449
Total provisions		364,339	5,449
Payables			
Suppliers	10A	153,224	176,658
Subscriptions in advance		78,405	-
Total payables		231,629	176,658
Total liabilities		595,968	232,305
EQUITY			
Accumulated surplus	11	429,868	165,505
Total equity		429,868	165,505
Current liabilities		442,310	232,305
Non-current liabilities		153,658	-
Current assets		641,243	33,541
Non-current assets		384,593	364,269

The above statement should be read in conjunction with the accompanying notes.

**Australian Accounting Standards Board statement of cash flows
for the year ended 30 June 2001**

	Notes	2001 \$	2000* \$
OPERATING ACTIVITIES			
Cash received			
Appropriations		1,500,000	-
Sales of goods and Services		327,751	-
Interest		22,396	3
GST recovered from taxation authority		52,320	-
Grants and contributions		1,397,410	-
Other		2,083	-
Total cash received		3,301,960	3
Cash used			
Employees		1,837,508	16,610
Suppliers		696,496	54
GST paid to taxation authority		97,052	-
Total cash used		2,631,056	16,664
Net cash from operating activities	13	670,904	(16,661)
INVESTING ACTIVITIES			
Cash received			
		-	-
Cash used			
Purchase of plant and equipment		(35,519)	-
Net cash from investing activities		(35,519)	-
FINANCING ACTIVITIES			
Cash received			
Proceeds from debt		-	50,200
Cash used			
Repayment of debt		(50,200)	-
Net cash from financing activities		(50,200)	50,200
Net increase in cash held		585,185	33,539
Cash at the beginning of the reporting period	6	33,539	-
Cash at the end of the reporting period	6	618,724	33,539

The above statement should be read in conjunction with the accompanying notes.

* The financial statements presented for comparative purposes are for the six months ended 30 June 2000. Refer to Note 1.1.

**Australian Accounting Standards Board schedule of commitments
as at 30 June 2001**

	Notes	2001 \$	2000* \$
BY TYPE			
Operating leases		306,111	293,195
Commitments receivable		(176,000)	*(242,000)
Net commitments		130,111	51,195
BY MATURITY			
All net commitments			
One year or less		38,246	31,794
From one to two years		91,865	19,401
Net commitments		130,111	51,195

All commitments are GST inclusive where relevant.

* Represents commitment of Australian Stock Exchange (the lessor of the AASB's premises) to make annual grants to the AASB to cover future premises lease rental commitments.

**Australian Accounting Standards Board schedule of contingencies
as at 30 June 2001**

There are no known contingencies as at 30 June 2001.

AUSTRALIAN ACCOUNTING STANDARDS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of significant accounting policies

1.1 *Period of financial statements*

The Australian Accounting Standards Board (AASB) was reconstituted as a body corporate with effect from 1 January 2000 as part of the legislative reform package contained in the *Corporate Law Economic Reform Program Act 1999*. The financial statements which are presented for comparative purposes are for the six months ended 30 June 2000.

During the period to 30 June 2000, except for the Chairman who commenced employment on 8 May 2000, staff was provided to the Board by the Australian Accounting Research Foundation (AARF) on a cost reimburseable basis. Related administrative costs were also reimburseable to the AARF.

On 1 July 2000, the AARF technical and administrative staff transferred to the AASB, with the AARF funding the employee statutory entitlements at that date of \$247,448. Also on 1 July 2000, the AASB acquired certain fixed assets of the AARF at a cost of \$132,196.

1.2 *Basis of accounting*

The financial statements are a general purpose financial report.

They have been prepared:

- in accordance with Schedule 1 to the Commonwealth Authorities and Companies (Financial Statements 2000-01) Orders made under the *Commonwealth Authorities and Companies Act 1997*.
- in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Boards and the Consensus Views of the Urgent Issues Group; and
- having regard to Statements of Accounting Concepts.

The Statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard. Liabilities and assets which are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies (other than remote contingencies).

Revenues and expenses are recognised in the Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

1.3 Changes in accounting policy

The accounting policies used in the preparation of these financial statements are consistent with those used in 2000.

1.4 Revenue

The revenues described in this Note are revenues relating to the core operating activities of the AASB.

Appropriations for outputs are recognised as revenue to the extent they have been received into the AASB's Bank account or are entitled to be received by the AASB at year end.

Revenue from the sale of publications is recognised upon the delivery of publications to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Services received free of charge are recognised when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised at their fair value as revenue when the asset qualifies for recognition.

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

1.5 Employee entitlements

(a) Leave

The liability for employee entitlements includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the AASB is estimated to be less than the annual entitlements for sick leave.

The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 2001 and is recognised at its nominal amount.

The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2001. In determining the present value of the liability, the AASB has taken into account attrition rates and pay increases through promotion and inflation.

(b) Superannuation

The AASB sponsors the AASB Superannuation Plan, which provides accumulation benefits to members. The AASB has, for certain employees, guaranteed minimum accumulated balances equivalent to benefits under a defined benefit plan. Vested and accrued benefits of these members as at 30 June 2001 amounted to \$1,382,200 compared to the net market value of attributable assets of \$1,394,674, giving an excess asset position of \$12,474.

Contributions during the year ended 30 June 2001 on behalf of employees with minimum guaranteed benefits amounted to \$110,519 (2000: nil). Contribution expense represents the annual funding which is determined based on actuarial advice.

1.6 Leases

Operating lease payments are expensed on a basis which is representative of the pattern of benefits derived from the leased assets.

1.7 Cash

Cash includes deposits held at call with a bank or financial institution.

1.8 Financial instruments

Accounting policies for financial instruments are stated at note 18.

1.9 Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

1.10 Plant and equipment

Asset recognition threshold

Purchases of plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases less than \$500, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluations

Schedule 1 requires that plant and equipment be revalued progressively in accordance with the 'deprival' method of valuation in successive 3-year cycles. No revaluations have yet been made pursuant to this requirement.

Recoverable amount test

Schedule 1 requires the application of the recoverable amount test to the AASB's non-current assets in accordance with AAS 10 *Recoverable Amount of Non-Current Assets*. The carrying amounts of these non-current assets have been reviewed to determine whether they are in excess of their recoverable amounts. In assessing recoverable amounts, the relevant cash flows have been discounted to their present value.

Depreciation and amortisation

Depreciable plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the AASB using, in all cases, the straight line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation/amortisation rates (useful lives) and methods are reviewed at each balance date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation and amortisation rates applying to each class of depreciable asset are based on the following useful lives:

	2001	2000
Leasehold improvements	Lease term	Lease term
Plant and equipment	3 to 10 years	3 to 10 years

1.11 Taxation

The AASB is exempt from all forms of taxation except fringe benefits tax and the goods and services tax.

1.12 Inventories

Inventories held for resale are valued at the lower of cost and net realisable value.

1.13 Insurance

The AASB has taken insurance cover considered appropriate through the Government's insurable risk managed fund, called 'Comcover'. Workers compensation is insured through Comcare Australia.

1.14 Comparative figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

Note 2: Reporting by segments

The AASB operates primarily in a single industry and geographic segment, being the making of Accounting Standards for use within Australia and participating in and contributing to the development of accounting standards for world-wide use.

Note 3: Economic dependency

The AASB is dependent on appropriations from the Parliament of the Commonwealth and on grants from the States and Territories and from CPA Australia, The Institute of Chartered Accountants in Australia, the National Institute of Accountants and the Australian Stock Exchange to carry out its normal activities.

Note 4: Operating Revenues

	2001	2000
	\$	\$
4A: Revenues from Government		
Appropriations	1,500,000	648,000
Resources received free of charge	2,598	378,775
Other	-	13,745
	1,502,598	1,040,520
4B: Sales of publications		
Publications	226,276	135,134
Cost of sales of publications	75,307	30,957
4C: Interest		
Deposits	22,396	3
4D: Grants and contributions		
Grants from States and Territories	500,000	83,000
Industry contributions — CPA Australia	325,000	162,500
— The Institute of Chartered Accountants in Australia	325,000	162,500
— National Institute of Accountants	50,000	-
— Australian Stock Exchange	175,828	20,000
	1,375,828	428,000

Note 5: Operating expenses

	2001	2000
	\$	\$
5A: Employee expenses		
Remuneration (for services provided)	1,723,354	900,367
Other employee expenses	225,596	43,740
	1,948,950	944,107
Full-time equivalent number of employees	21	20.5
5B: Suppliers expenses		
Supply of goods and services *	666,161	458,089
Operating lease rental	99,717	20,000
	765,878	478,089
* Includes \$1,248 (2000 - Nil) attributable to the operations of the Financial Reporting Council.		
5C: Depreciation and amortisation		
Amortisation of leasehold improvements	93,824	15,637
Depreciation of plant and equipment	56,165	319
	149,989	15,956

Note 6: Financial assets

	2001	2000
	\$	\$
6A: Cash and Term Deposit		
Cash at bank and on hand	312,008	33,539
Term deposit	306,716	-
	618,724	33,539
Balance of cash as at 30 June shown in the Statement of Cash Flows	618,724	33,539

Note 7: Non-financial assets

	2001 \$	2000 \$
7A: Leasehold improvements		
Leasehold improvements — received free of charge — at fair value	359,659	359,659
Accumulated amortisation	(109,461)	(15,637)
Total Leasehold Improvements	250,198	344,022
7B: Plant and equipment		
Plant and equipment — received free of charge — at fair value	21,714	19,116
Accumulated depreciation	(2,469)	(319)
	19,245	18,797
Plant and equipment — at cost	169,165	1,450
Accumulated depreciation	(54,015)	(-)
	115,150	1,450
Total Plant and Equipment	134,395	20,247

7C: Analysis of Property, Plant and Equipment

Table A

Movement summary for all assets irrespective of valuation basis

	Leasehold Improvements \$	Plant & Equipment \$	Total \$
Gross value as at 1 July 2000	359,659	20,566	380,225
Additions	-	170,313	170,313
Gross value as at 30 June 2001	359,659	190,879	550,538
Accumulated Depreciation/Amortisation as at 1 July 2000	15,637	319	15,956
Depreciation/amortisation charge for the year	93,824	56,165	149,989
Accumulated Depreciation/Amortisation as at 30 June 2001	109,461	56,484	165,945
Net book value as at 30 June 2001	250,198	134,395	384,593
Net book value as at 1 July 2000	344,022	20,247	364,269

Note 8: Debt

	2001 \$	2000 \$
8A: Loans		
Non-bank loans	-	50,200

Note 9: Provisions

	2001	2000
	\$	\$
9A: Employees		
Salaries	15,699	-
Annual Leave	194,982	5,499
Long Service Leave	153,658	-
Aggregate employee entitlement liability	364,339	5,449

Note 10: Payables

	2001	2000
	\$	\$
10A: Suppliers		
Trade creditors	153,224	176,656

Note 11: Equity

	Accumulated Surplus	
	2001	2000
	\$	\$
Balance as at 1 July 2000	165,505	-
Operating result	264,363	165,505
Balance as at 30 June 2001	429,868	165,505

Note 12: Non-cash financing and investing activities

	2001	2000
	\$	\$
Non-current assets received free of charge	2,598	378,775
Settlement of suppliers	115,252	-
Acquisition of assets — at cost	132,196	-
Transfer of employee statutory entitlements	(247,448)	-
Total non-cash financing and investing activities	2,598	378,775

Note 13: Cash flow reconciliation

Reconciliation of net surplus to net cash

	2001	2000
	\$	\$
Operating surplus	264,363	165,505
Depreciation & amortisation of leasehold improvements, plant and equipment	149,989	15,956
Non-current assets received free of charge	(2,598)	(378,775)
Changes in assets and liabilities		
Increase in liability to suppliers	91,820	175,206
Increase in subscriptions in advance	78,405	-
Increase in receivables	(9619)	(2)
Increase in inventory of publications	(1,952)	-
Increase in prepaid expenses	(10,946)	-
Increase in employee provisions	111,442	5,449
Net cash provided by operating activities	670,904	(16,661)

Note 14: Remuneration of directors

Members of the Financial Reporting Council are the directors of the AASB and act on a remuneration free basis.

Note 15: Related party disclosures

The Directors and Alternate Directors of the AASB during the period were:

- Paul Rizzo (Chairman) (Resigned 22 February 2001)
- Michael Ullmer (Deputy Chairman)
 - Tom Pockett (Alternate to Mr Ullmer; appointed 2 October 2000)
- Elizabeth Alexander, AM
- Don Challen
- Leigh Hall, AM
 - Mark Amour (Alternate to Mr Hall)
- David Jackson
- Jeffrey Lucy, AM

- Stephen Harrison, AO (Alternate to Mr Lucy; appointed 2 October 2000)
- Charles Macek
- Jan McCahey (Resigned 31 March 2001)
- Graeme McGregor, AO
 - David Edwards, AM (Alternate to Mr McGregor; resigned 14 February 2001)
- Robert Nottle, CBE
- Gary Potts
 - Veronique Ingram (Alternate to Mr Potts)
- Diana Wright
 - Anne Morant (Alternate to Dr. Wright; resigned 4 October 2000)

Note 16: Remuneration of officers

	2001	2000
	\$	\$
Remuneration of officers comprises:		
Sitting fees for part-time members of the AASB	79,800	13,800
Remuneration of full time officers	416,141	35,916
	495,941	49,716

The number of Officers who received or were due to receive total remuneration of \$100,000 or more:

	2001	2000
	Number	Number
\$200,001 — \$210,000	2	-

The officer remuneration includes officers concerned with or taking part in the management of the AASB.

Note 17: Remuneration of auditors

	2001 \$	2000 \$
Remuneration to the Auditor-General for auditing the financial statements for the reporting period	7,800	3,300

No other services were provided by the Auditor-General during the reporting period.

Note 18: Financial instruments

(a) Terms, conditions and accounting policies

Financial Instrument	Notes	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of underlying instruments (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Deposits at call	6A	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	Temporarily surplus funds are placed on deposit at call with the AASB's bank.
Financial Liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Non-bank loan	8A	The loan is carried at the balance to be repaid.	The loan is short-term but with no specified repayment date and is interest free. The loan is unsecured.
Trade creditors	10A	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).	Settlement is usually made net 30 days.

(b) Interest rate risk

Financial Assets (recognised)	Notes	Floating Interest Rate		Non-Interest Bearing		Total		Weighted Average Effective Interest Rate	
		00-01 \$	99-00 \$	00-01 \$	99-00 \$	00-01 \$	99-00 \$	00-01 \$	99-00 \$
Cash at Bank	6A	311,132	33,539			311,132	33,539	4.38	3.1
Term Deposit	6A	306,716				306,716		4.67	
Receivables		-	-	9,621	2	9,621	2	n/a	n/a
Total Financial Assets (recognised)		617,848	33,539	9,621	2	627,469	33,541		
Total Assets						1,025,836	397,810		
Financial Liabilities (recognised)									
Non-Bank loans	8A	-	-	-	50,200	-	50,200	n/a	n/a
Trade creditors	10A	-	-	153,224	176,656	153,224	176,656	n/a	n/a
Total Financial Liabilities (recognised)		-	-	153,224	226,856	153,224	226,856		
Total Liabilities		-	-			595,968	232,305		

(c) The fair value of financial assets and liabilities approximate their carrying amounts.

MEMBERS OF THE FRC

1 JULY 2000 TO 30 JUNE 2001

The Members and Alternate Members were, unless otherwise shown, appointed on 6 January 2000 for a term ending on 31 December 2002. The Chairman, all members and alternates are non-executive directors of the FRC.

Chairman

Paul Rizzo Until January 2001, was the Group Managing Director, Finance and Administration, Telstra Corporation Ltd, Melbourne. Became the Director, Melbourne Business School, Melbourne in January 2001.
Appointed 6 January 2000; resigned 22 February 2001.

Deputy Chairman

Michael Ullmer Group General Manager, Financial and Risk Management, Commonwealth Bank, Sydney.
Nominated by the Business Council of Australia.

Members

Elizabeth Alexander, Partner, PricewaterhouseCoopers, Melbourne.
AM Nominated by the Australian Institute of Company Directors.

Don Challen Secretary, Tasmanian Department of Treasury and Finance, Hobart.
Nominated by Heads of State and Territory Treasuries.

Leigh Hall, AM Company Director, Sydney.
Nominated by the Investment and Financial Services Association.

David Jackson Director, Australian Shareholders' Association, Sydney.
Nominated by the Australian Shareholders' Association.

MEMBERS OF THE FRC (CONTINUED)

Jeffrey Lucy, AM	Financial Consultant, Adelaide. Nominated by The Institute of Chartered Accountants in Australia. (Note: appointed Chair on 17 July 2001 for 3 years.)
Charles Macek	During 2000-01 was Chairman, County Investment Management, Melbourne. From August 2001, a Company Director, Melbourne. Nominated by the Securities Institute of Australia.
Jan McCahey	Until November 2000 was the Chief Accountant, Australian Securities and Investments Commission, Melbourne. Became a Partner, PricewaterhouseCoopers, Melbourne, in April 2001. Nominated by the Australian Securities and Investments Commission. Appointed 11 January 2000; resigned 31 March 2001.
Graeme McGregor, AO	Company Director, Melbourne. Nominated by the Australian Society of Certified Practising Accountants (now known as CPA Australia).
Robert Nottle, CBE	Until May 2001, held the position of Principal Adviser, Supervision, Australian Stock Exchange. From that date, was Director, ASX Supervisory Review Pty Ltd, Australian Stock Exchange, Melbourne. Nominated by the Australian Stock Exchange.
Gary Potts	Executive Director, Markets Group, Department of the Treasury, Canberra. Nominated by the Commonwealth.
Diana Wright	General Manager, e-Solutions Group, Department of Finance and Administration, Canberra. Nominated by the Commonwealth. Resigned 28 June 2001.

MEMBERS OF THE FRC (CONTINUED)

Alternate Members

Mark Armour	<p>Until December 2000, held the position of Chief Executive Officer, Funds Management, AXA Ltd, Melbourne. Became Chief Investment Officer, ANZ Funds Management, Melbourne in January 2001. Alternate to Mr Hall.</p> <p>Nominated by the Investment and Financial Services Association.</p> <p>Appointed 19 April 2000; terms ends 31 December 2002.</p>
David Edwards, AM	<p>Chief Executive Officer, CPA Australia, Melbourne until his resignation from that position in December 2000. Alternate to Mr McGregor.</p> <p>Nominated by CPA Australia.</p> <p>Appointed 19 April 2000; resigned 14 February 2001.</p>
Stephen Harrison, AO	<p>Chief Executive Officer, The Institute of Chartered Accountants in Australia, Sydney. Appointed as alternate to Mr Lucy.</p> <p>Nominated by The Institute of Chartered Accountants in Australia.</p> <p>Appointed 2 October 2000; terms ends 31 December 2002.</p>
Veronique Ingram	<p>General Manager, Corporate Governance and Accounting Policy Division, Department of the Treasury, Canberra.</p> <p>Nominated by the Commonwealth as Alternate to Mr Potts.</p>
Anne Morant	<p>Branch Manager, Financial Framework, Department of Finance and Administration, Canberra. Nominated by the Commonwealth as Alternate to Dr Wright.</p> <p>Appointed 6 January 2000; resigned 4 October 2000.</p>
Tom Pockett	<p>Deputy Chief Financial Officer, Commonwealth Bank, Sydney. Alternate to Mr Ullmer. Nominated by the Business Council of Australia. Appointed 2 October 2000; terms ends 31 December 2002.</p>

MEMBERS OF THE AASB 1 JULY 2000 TO 30 JUNE 2001

The following were appointed to the AASB from the dates shown:

Chairman (full time appointment by the Treasurer)

Keith Alfredson, BCom, FCA, FCPA, FAICD Appointed 8 May 2000 for 3 years.

Members (part-time appointments by the FRC)

Peter Batten, FCPA, FCCA	Group Accounting Advisor, WMC Resources Limited, Melbourne. Appointed 15 February 2000 for 2 years.
Wayne Cameron, BCom, FCA (NZ), FCPA, FIPAA	Auditor-General of Victoria. Appointed 7 June 2001 for 3 years.
George W J Carter, FCPA	Department of Finance and Administration, Canberra. Appointed 15 February 2000 for 3 years.
Neil Conn, AO, PhD, MEc, FAIM, FAICD	Consultant, Sydney. Appointed 15 February 2000 for 3 years.
Brigid Curran, BCom, MFM, FCA, CPA	Consultant. Formerly Partner, PricewaterhouseCoopers, Melbourne. Appointed 15 February 2000 for 3 years.
Ian Mackintosh, BCom, FCPA, FCA (Deputy Chairman until 17/10/00)	Consultant, Sydney. Appointed 15 February 2000; Resigned 17 October 2000.
Douglas McTaggart, BEc(Hons), MA, PhD, FAICD	Chief Executive Officer, Queensland Investment Corporation, Brisbane. Appointed 15 February 2000; Resigned 16 March 2001.

MEMBERS OF THE AASB (CONTINUED)

Graham Peirson, MEc, FCPA (Deputy Chairman from 5/6/01)	Professor of Accounting and Finance, Monash University, Melbourne Appointed 15 February 2000 for 2 years.
Ruth Picker, BA, FCA, ASIA	Partner, Ernst & Young, Melbourne. Appointed 15 February 2000 for 2 years.
Kevin Stevenson, BCom, MBA, FCA	Director, Stevenson McGregor, Melbourne. Appointed 20 December 2000 for 3 years.
Greg Ward, MEc, CA	Chief Financial Officer, Macquarie Bank, Sydney. Appointed 15 February 2000 for 3 years.

Observers

Elizabeth Hickey, MCom (Hons), FCA (NZ).	Representative of the New Zealand Financial Reporting Standards Board.
Ian Mackintosh, BCom, FCPA, CA	Australian representative on the IFAC PSC.
Warren McGregor, MEc, DipEd, FCA, FCPA	IASB Liaison-member from 1 April 2001.
Brian Morris, BA(Acc), FCA	Australian representative on IASC Board until 31 December 2000.

MEMBERS OF THE UIG 1 JULY 2000 TO 30 JUNE 2001

Chairman

Keith Alfredson, BCom, FCA, FCPA, FAICD	AASB Chairman	Appointed 12 May 2000
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Members

Mario Abela, BCom, DipEd, CPA	Heads of Treasuries Accounting and Reporting Advisory Committee	Resigned 11 September 2000.
James Beecher, BCom, MBA, FCPA, FAICD	Australian Institute of Company Directors	Term ends 30 June 2002
Judith Downes, BA, DipEd, CA, FCPA	Group of 100	Term ends 31 December 2001
Charles Feeney, MA, CA	Ernst & Young	Term ends 30 June 2002
David Greenall, FCA	Local Government and Not-for-Profit Sector	Term ends 31 December 2002
Ken Leo, MBA, BCom(Hons), FCPA, CA	CPA Public Sector CoE and AAANZ	Term ends 31 December 2001
Matthew Lunn, BCom, ACA, FAICD	Pricewaterhouse- Coopers	Term ends 30 June 2002
Steve McClintock, BA, FCA	Securities Institute of Australia	Terms ends 30 June 2003

MEMBERS OF THE UIG (CONTINUED)

Arthur McHugh, BSc(Hons), PhD, BA, FCPA	Australasian Council of Auditors-General	Term ends 31 December 2002
Brian Morris, BA(Acc), FCA	Medium and small accounting firms	Terms ends 31 December 2001
Bruce Porter, FCPA, FICAA	Deloitte Touche Tohmatsu	Term ends 31 December 2002
Keith Reilly, MCom, FCA	Joint Accounting Bodies	Term ends 30 June 2002
Brett Rix, BCom(Hons), FCA	Arthur Andersen	Term ends 31 December 2001
Ted Rofe, BA, LL.M., BCom, FCPA, ASIA, ACIS	Australian Shareholders' Association	Term ends 31 December 2001
Mike West, FICAEW	KPMG	Term ends 31 December 2002
Robert Williams, BEc, BA, CA	Heads of Treasuries Accounting and Reporting Advisory Committee	Terms ends 31 December 2002
Observers		
Jan McCahey, BCom(Hons), MCom, FCA	Chief Accountant, ASIC	Until 2 November 2000
Ian Mackintosh, BCom, FCPA, CA	Chief Accountant, ASIC	From 5 December 2000
Kevin Stevenson, BCom, MBA, FCA	Australian representative on the IASC's Standing Interpretation Committee	Until 11 December 2001

ATTENDANCE AT MEETINGS

Financial Reporting Council

The FRC held 5 meetings during the financial year. Members' attendance is shown in the table below:

Members	Number of meetings			Apologies
	Eligible to attend	Attended	Represented by alternate	
P Rizzo	3	2	0	1
E Alexander	5	4	0	1
D Challen	5	4	0	1
L Hall	5	4	1	1
D Jackson	5	5	0	0
J Lucy	5	3	2(a)	2
C Macek	5	4	1(a)	1
J McCahey (b)	3	2	0	1
G McGregor	5	3	1(a)	2
R Nottle	5	5	0	0
G Potts	5	3	2	2
M Ullmer	5	4	0	1
D Wright	5	4	1	1

Notes:

- (a) Informal alternate attended with agreement of the Chairman or Deputy Chairman.
- (b) Pending the appointment of an ASIC nominee to replace Ms McCahey, ASIC was informally represented by Mr Ian Mackintosh (1 meeting) and Mr Doug Niven (1 meeting).

FRC Nominations Committee

The FRC Nominations Committee held one meeting during the financial year. Members' attendance is shown in the table below:

Members	Number of meetings			Apologies
	Eligible to attend	Attended	Represented by alternate	
M Ullmer	1	1	0	0
K Alfredson	1	1	0	0
D Challen	1	1	0	0
R Nottle	1	1	0	0

AASB Audit Committee

The AASB Audit Committee met twice during the financial year. Members' attendance is shown in the table below:

Members	Number of meetings		Apologies
	Eligible to attend	Attended	
E Alexander, AM (Chair)	2	2	0
J Lucy, AM	2	2	0
J McCahey	2	2	0

Australian Accounting Standards Board

The AASB met 9 times during the financial year for a total of 17 meeting days. Members' attendance is shown in the table below:

Members	Number of days eligible to attend	Number of days attended	Apologies (days)
K Alfredson	17	17	0
P A Batten	17	17	0
W Cameron	2	2	0
G W J Carter	17	17	0
N Conn	17	15	2
B T Curran	17	17	0
I Mackintosh	4	4	0
D McTaggart	10	9	1
G Peirson	17	17	0
R Picker	17	15	2
K Stevenson	9	8	1
G C Ward	17	12	5

Urgent Issues Group (UIG)

The UIG met 8 times during the financial year. Members' attendance is shown in the table below:

Members	Number of days eligible to attend	Number of days attended	Apologies (days)
K Alfredson	8	8	0
J Beecher	8	7	1
J Downes	8	7	1
C Feeney	8	6	2
D Greenall	8	7	1
K Leo	8	7	1
M Lunn	8	7	1
S McClintock	8	6	2
A McHugh	8	7	1
B Morris	8	6	2
B Porter	8	7	1
K Reilly	7	5	2
B Rix	8	8	0
E Rofe	8	7	1
M West	8	7	1
R Williams	4	4	0
M Abela	2	2	0
C Parker	1	1	0

PROGRESS MADE ON AASB'S WORK PROGRAM 1 JULY 2000 TO 30 JUNE 2001

Business Plan

Output

Highest priorities

- The issue of new and revised standards under the international harmonisation program on:
 - Discontinuing operations
AASB 1042 'Discontinuing Operations' issued August 2000.
 - Earnings per share
AASB 1027 'Earnings per Share' re-issued October 2000.
 - Foreign currency translation
AASB 1012 'Foreign Currency Translation' re-issued November 2000.
 - Interim reporting
AASB 1029 'Interim Financial Reporting' re-issued October 2000.
 - Segment reporting
AASB 1005 'Segment Reporting' re-issued August 2000.
- The publication of an issues paper dealing with the recognition and measurement of identifiable intangible assets, including research and development.

'Summary of Current Australian and Overseas Pronouncements on Intangible Assets', placed on the AASB web-site on 11 July 2000. The Board's 'Strategy Paper Intangible Assets' was placed on the web site on 13 September 2000.

Issues Paper 1, 2A and 2B have been prepared for consideration by the Board. A further two papers are in process of preparation.

PROGRESS MADE ON AASB'S WORK PROGRAM (CONTINUED)

Highest priorities (continued)

- The preparation of a discussion paper concerning the reconciliation of Government general purpose financial reporting with Government finance statistics reporting and issues relating to harmonisation. Issues paper considered by the Board in February and June 2001. Project transferred to the 2001-2002 work program.
- The finalisation of a new standard on Public Infrastructure Disclosures following the issue in 1999 of Exposure Draft ED 100. Board has briefly reviewed summary of responses to the ED. Project transferred to the 2001-2002 work program.

High priorities

- The issue of new and revised standards under the international harmonisation program.
 - Employee benefits AASB 1028 'Employee Benefits' re-issued June 2001.
 - Provisions and contingencies Board is in final stages of its deliberations on this new standard. Project transferred to the 2001-02 work program.
- The issue of an invitation to comment concerning the recognition and measurement of financial instruments prepared by the Joint Working Group of standard-setters. Issued in December 2000 with a comment period to 30 June 2001. Responses currently being received. Consideration of responses in conjunction with other members of the JWG placed on 2001-02 work program.
- The issue of an invitation to comment on accounting for share-based payment (including employee options) prepared by the G4+1. Issued in July 2000; Summary of responses provided to other G4+1 standard-setters and to the IASB. No further action is intended pending an IASB international convergence project on the issues.

PROGRESS MADE ON AASB'S WORK PROGRAM (CONTINUED)

High priorities (continued)

- The issue of discussion papers on:
 - the use of deprival value/fair value in financial reports
Submission dated 15 March 2001 received from Heads of Treasuries to be considered by Board as part of Impairment project on 2001-02 work program.
 - the use of discounting in financial reports
No progress; project will be delayed so that the work of the IASB on measurement can be optimised.

Other priorities

- The issue of new and revised standards under international harmonisation program concerning:
 - Consolidations
No progress. Will now be dealt with as an IASB convergence project.
 - Director and executive disclosures
Draft exposure drafts and issues are under Board consideration. Project transferred to 2001-02 work program.
- Impairment of assets (Exposure Draft ED 99 comment period ended 30 June 2000)
No progress. Project transferred to 2001-02 work program.
- Investment properties
Draft exposure draft and issues under Board and project advisory panel consideration. Completion of project transferred to 2001-02 work program.
- Post-employment benefits
Issues summary under Board consideration.
Project transferred to 2001-02 work program.
- Related party disclosures
Draft exposure draft and issues ready for consideration by Board as part of 2001-02 work program.

PROGRESS MADE ON AASB'S WORK PROGRAM (CONTINUED)

Other priorities (continued)

- A review of Accounting Standard AASB 1015 'Acquisitions of Assets' in view of the Senate's disallowance of paragraphs 6.3 and 6.4. No progress made. Project transferred to 2001-02 work program.
- Finalising a report on the issues relating to the valuation and accounting for land under roads. Report is in process of staff consideration. Project transferred to 2001-02 work program.
- A review of the current relevance of Australian Accounting Standard AAS 27 'Financial Reporting by Local Governments'. Views sought from key constituents on major issues. Project transferred to 2001-02 work program.
- The preparation of a discussion paper on issues relating to financial reporting by not-for-profit entities. Contractor submitted discussion paper on 31 May 2001. To be considered by the Board as part of 2001-02 work program.
- The preparation of an issues paper concerning prospective information. No progress made. Former PSASB prepared a draft exposure draft for comment by project advisory panel; some comments received. Project has been abandoned pending possible future work by IFAC PSC.
- A review of Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans' in the light of changes to superannuation arrangements in recent years. Project is awaiting output from The Institute of Chartered Accountants in Australia working party. Project transferred to 2001-02 work program.

AASB'S WORK PROGRAM 1 JULY 2001 TO 30 JUNE 2002

The AASB's standard-setting priorities for the year to 30 June 2002 have been approved by the FRC. These priorities are:

Highest priorities

- New and revised standards under the international harmonisation program on:
 - Provisions, contingent liabilities and contingent assets (finalisation of standard)
 - Impairment of assets (including consideration of responses to Exposure Draft ED 99)
 - Investment property (issue of exposure draft)
- Other new and revised standards:
 - Revaluation of Non-Current Assets (limited amendments arising from Exposure Draft ED 101)
 - Public Infrastructure Disclosures (including consideration of responses to Exposure Draft ED 100)
 - Related Parties and Director and Executive Disclosures (issue of exposure draft and finalisation of revised standards)
- The preparation of an issues paper dealing with the recognition and measurement of intangible assets, including goodwill. The objective is to obtain input from constituents on key issues. An exposure draft will be issued in conjunction with the IASB's first phase project on Business Combinations. This project includes issues relating to acquired intangible assets.

- Reconciliation of government general purpose financial reporting with government financial statistics. The objective is to determine whether or not such a reconciliation should form part of general purpose financial reports and if so, whether such inclusion is presently feasible.
- Study of the reporting issues relating to dual-listed entities and consideration of an exposure draft.
- Study of responses to the Invitation to Comment on the Joint Working Group Draft Standard on *Accounting for Financial Instruments and Similar Items*, in conjunction with other national standard setters and the IASB. As an immediate measure the Board will issue an exposure draft based on the International Standard IAS 39 *Financial Instruments : Recognition and Measurement*, in conjunction with the IASB's priority project on improvements to that standard.

Other priorities

- IASB Convergence and Standards Improvement Projects. The Board's intention is to take a lead role on a limited number of appropriately prioritised IASB projects, as well as a supporting or monitoring role on others. The AASB will need to keep abreast of the work of the IASB on an ongoing basis in view of its harmonisation policy. To assist in this project, AASB staff will publish a 'Convergence Handbook' comparing AASB standards with International Standards.
- Post-employment benefits. Consideration of issues as an IASB convergence project.
- Finalising a report on the issues relating to the valuation and accounting for land under roads. The objective is to provide input to the Board to assist its deliberations on whether to retain the requirements of AAS 27 'Financial Reporting by Local Governments', AAS 29 'Financial Reporting by Government Departments', and AAS 31 'Financial Reporting by Governments' which presently require the recognition of land under roads, following the expiration of transitional provisions in 31 December 2002.
- Review and updating of Accounting Standards AAS 27 *Financial Reporting by Local Governments*, AAS 29 *Financial Reporting by Government Departments* and AAS 31 *Financial Reporting by Governments*.
- Superannuation plans (revision and updating of AAS 25 *Financial Reporting by Superannuation Plans*) and managed investment schemes. AAS 25 is in need of revision and updating. Managed investment schemes are being

considered in conjunction with superannuation plans given the interrelationship between superannuation plans and managed investments.

- Not-for-Profit entities. A contractor has submitted a discussion paper identifying major issues in financial reporting by not-for-profit entities, including matters that may be dealt with in an accounting standard. The Board will examine the report and the desirability of issuing an accounting standard on the topic.
- Review of Accounting Standard AASB 1015 *Acquisitions of Assets* in view of the Senate's disallowance of paragraphs 6.3 and 6.4.

AUTHORITATIVE PRONOUNCEMENTS ISSUED BY THE AASB AND UIG AS AT 30 JUNE 2001

Statements of accounting concepts

No.	Title	Issued (re-issued#)
SAC 1	Definition of the Reporting Entity	8/90
SAC 2	Objective of General Purpose Financial Reporting	8/90
SAC 3	Qualitative Characteristics of Financial Information	8/90
SAC 4	Definition and Recognition of the Elements of Financial Statements	# 3/95

Policy statements

No.	Title	Issued (re-issued#)
PS 1	The Development of Statements of Accounting Concepts and Accounting Standards	7/93
PS 2	The AASB Consultative Group	# 6/01
PS 3	AASB Project Advisory Panels	# 6/01
PS 4	Australia – New Zealand Harmonisation Policy	7/94
PS 5	The Nature and Purpose of Statements of Accounting Concepts	3/95
PS 6	International Harmonisation Policy	4/96

AASB and AAS-series accounting standards

AASB series	AAS series	Title	Issued (re-issued#)
1001	6	Accounting Policies	# 3/99
1002	8	Events Occurring After Reporting Date	# 10/97
1004	15	Revenue	# 6/98
1005	—	Segment Reporting	#8/00
1006	19	Interests in Joint Ventures	# 12/98
1008	17	Leases	# 10/98
1009	11	Construction Contracts	# 12/97
1010	10	Recoverable Amount of Non-Current Assets	# 12/99
1011	13	Accounting for Research and Development Costs	5/87
1012	—	Foreign Currency Translation	#11/00
1013	18	Accounting for Goodwill	# 6/96
1014	23	Set-off and Extinguishment of Debt	# 12/96
1015	21	Acquisitions of Assets	# 11/99
1016	14**	Accounting for Investments in Associates	# 8/98 **5/97
1016A	—	Amendments to Accounting Standard AASB 1016	10/98
1017	22**	Related Party Disclosures	# 2/97 **5/93
1018	1	Statement of Financial Performance	# 10/99
1019	2	Inventories	# 3/98
1020	3	Income Taxes	# 12/99
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1022	7	Accounting for the Extractive Industries	10/89
1023	26	Financial Reporting of General Insurance Activities	# 11/96
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AASB and AAS-series accounting standards (continued)

AASB series	AAS series	Title	Issued (re-issued#)
1027	—	Earnings per Share	#10/00 and 6/01
1028	—	Employee Benefits	# 6/01
1029	—	Interim Financial Reporting	#10/00
1030	—	Application of Accounting Standards to Financial Year Accounts and Consolidated Accounts of Disclosing Entities other than Companies	12/94
1031	5	Materiality	9/95
1032	32	Specific Disclosures by Financial Institutions	12/96
1033	33	Presentation and Disclosure of Financial Instruments	# 10/99
1034	37	Financial Report Presentation and Disclosures	# 10/99
1036	34	Borrowing Costs	12/97
1037	35	Self-Generating and Regenerating Assets	8/98
1037A	35A	Amendments to Accounting Standard AASB 1037	7/99
1038	—	Life Insurance Business	11/98
1039	—	Concise Financial Reports	12/98
1040	36	Statement of Financial Position	10/99
1041	38	Revaluation of Non-Current Assets	12/99
1042	—	Discontinuing Operations	8/00
1043	—	Changes to the Application of AASB and AAS Standards and Other Amendments	12/00
—	25	Financial Reporting by Superannuation Plans	3/93
—	27	Financial Reporting by Local Governments	# 6/96
—	27A	Amendments to the Transitional Provisions in AAS 27	12/99
—	29	Financial Reporting by Government Departments	# 6/98

AASB and AAS-series accounting standards (continued)

AASB series	AAS series	Title	Issued (re-issued#)
—	29A	Amendments to the Transitional Provisions in AAS 29	12/99
—	31	Financial Reporting by Governments	6/98
—	31A	Amendments to the Transitional Provisions in AAS 31	12/99

Accounting interpretations

No.	Title	Issued
AI 1	Amortisation of Identifiable Intangible Assets	6/99

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1	Lessee Accounting for Surplus Leased Space Under a Non-Cancellable Operating Lease	6/95
2	Accounting for Non-Vesting Sick Leave	6/95
3	Lessee Accounting for Lease Incentives Under a Non-Cancellable Operating Lease	8/95
4	Disclosure of Accounting Policies for Restoration Obligations in the Extractive Industries	8/95
6	Accounting for Acquisitions — Deferred Settlement of Cash Consideration	12/95
7	Accounting for Non-Current Assets — Derecognition of Intangible Assets and Change in the Basis of Measurement of a Class of Assets	3/96
8	Accounting for Acquisitions – Recognition of Restructuring Costs as Liabilities	6/96
9	Accounting for Acquisitions — Recognition of Acquired Tax Losses	6/96

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10	Accounting for Acquisitions — Gold Mining Companies	11/96
11	Accounting for Contributions of, or Contributions for the Acquisition of, Non-Current Assets	12/96
12	Accounting for the Costs of Modifying Computer Software for the Year 2000	4/97
13	The Presentation of the Financial Report of Entities Whose Securities are 'Stapled'	#5/00
14	Directors' Remuneration	6/97
15	Early Termination of Foreign Currency Hedges	#12/00
16	Accounting for Share Buy-Backs	1/98
17	Developer and Customer Contributions in Price Regulated Industries	5/98
18	Early Termination of Gold Hedges	#12/00
19	The Superannuation Contributions Surcharge	7/98
20	Equity Accounting — Elimination of Unrealised Profits and Losses on Transactions with Associates	10/98
21	Consistency — Different Cost Formulas for Inventories	10/98
22	Accounting for the Buy-Back of No Par Value Shares	11/98
23	Transaction Costs Arising on the Issue or Intended Issue of Equity Instruments	#6/00
24	Equity Accounting — Carrying Amount of an Investment in an Associate	11/98
25	Redesignation of Hedges	#12/00
26	Accounting for Major Cyclical Maintenance	6/99
27	Designation as Hedges – Sold (Written) Options	7/99
28	Consolidation – Special Purpose Entities	7/99
29	Early Termination of Interest Rate Swaps	#12/00
30	Depreciation of Long-Lived Physical Assets, including Infrastructure Assets : Condition-Based Depreciation and Other Related Methods	1/00
31	Accounting for the Goods and Services Tax (GST)	1/00
32	Designation as Hedges — Rollover Strategies	#12/00
33	Hedges of Anticipated Purchases and Sales	5/00

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34	Acquisitions and Goodwill — First-Time Application of Accounting Standards	6/00
35	Disclosure of Contingent Liabilities	8/00
36	Non-Monetary Contributions Establishing a Joint Venture Entity	12/00
37	Accounting for Web Site Costs	1/01
38	Contributions by Owners Made to Wholly-Owned Public Sector Entities	1/01