



Subject: Minutes of the 200th meeting of the AASB
Venue: Dexus Place Melbourne and Videoconference
Held: Wednesday, 29 November 2023, 10.00 am – 6.00 pm
Thursday, 30 November 2023, 10.00 am – 1.10 pm

All agenda items were discussed in public, except for items 1 and 13.

Attendance

Members
Keith Kendall (Chair)
Alison White (Deputy Chair) (part of meeting)
Carolyn Cordery
James Grant
Dean Hanlon (via videoconference)
David Holland (via videoconference)
Adrian King (via videoconference day 2)
Toby Langley
Liza Maimone (part of meeting)
Mathew Nelson (part of meeting; via videoconference day 1)
Sean Osborn
Caroline Spencer (part of meeting)
Stephen Taylor

Apologies
Liza Maimone (Day 2)
Mathew Nelson (Day 1: 1.15 pm – 2.04 pm)
Paul Rogers
Caroline Spencer (Day 1: 3.00 pm – 4.26 pm)
Alison White (Day 1: 3.00 pm – 5.08 pm)

In attendance

Staff
Clark Anstis
Patricia Au
Aanchal Bhandari (part of meeting, via videoconference)
Kim Carney (part of meeting, via videoconference)
Siobhan Hammond
Fridrich Housa
Kathleen John
Eric Lee
Ao Li (part of meeting)
Maggie Man
Lachlan McDonald-Kerr
Helena Simkova
Claire Thomson
Jia Wei
Justin Williams

Other
Tom Dickson, Treasury – agenda item 1
Roanne Hasegawa, IASB – agenda item 6
Rebecca McCallum, Treasury – agenda item 1
Doug Niven, AUASB Chair – agenda item 1
Ann Tarca, IASB – agenda item 6



Agenda and Chair's Report

Agenda Item 1 – discussed in private

The Chair noted the significant items on the agenda and provided the Board with an update on recent and future activities.

The Board received presentations from the Commonwealth Department of Treasury on the Treasurer's recent announcement regarding the restructuring of the standard-setting bodies and on the progress with draft legislation that would permit the Board to issue enforceable sustainability reporting Standards.

Apologies, Declarations of Interests, Minutes and Approvals Out of Session

Agenda Item 2

Apologies

An apology for the meeting was noted from Paul Rogers. Apologies were also noted from Liza Maimone, Mathew Nelson, Caroline Spencer and Alison White for parts of the meeting.

Declarations of Interests

Members indicated that, in the normal course of their day-to-day professional responsibilities, they deal with a broad range of financial reporting issues. Members have adopted the standing policy in respect of declarations of interests that a specific declaration will be made where there is a particular interest in an issue before the Board.

Sean Osborn declared a specific interest in relation to agenda items 4 (Australian Sustainability Reporting Standards) and 8 (forthcoming IASB Standard IFRS 18).

Minutes

The Board approved the minutes of the one hundred and ninety-ninth meeting, held on 11 October 2023.

Approvals Out of Session

The Board noted the out-of-session approval of the following AASB document since the previous meeting report:

- *AASB 2023-5 Amendments to Australian Accounting Standards – Lack of Exchangeability.*

Subsidiaries without Public Accountability and AASB 1060

Agenda Item 3

The Board noted that the IASB is expected to issue an IFRS Standard for Subsidiaries without Public Accountability in 2024 that would permit eligible subsidiaries to reduce the disclosures in their general



purpose financial statements, which nevertheless would still be required to comply with the recognition and measurement requirements of IFRS Standards.

The Board discussed whether the forthcoming IFRS Standard should be adopted in Australia and the potential implications of adoption for the retention or amendment of AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. The Board decided that outreach regarding the issues should be conducted as part of the post-implementation review of AASB 1060. Since amendments may be made to AASB 1060 to reflect IASB changes to its *IFRS for SMEs* Standard, the Board also decided to consider the outcomes of the current IASB review of that Standard before making a decision on the adoption of the Subsidiaries without Public Accountability Standard in Australia.

Action: Staff

ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information

Agenda Item 4

The Board noted that numerous presentations on the Exposure Draft had already been given by staff and that extensive outreach is planned for major cities around Australia in February 2024. Staff are planning to hold sessions with 10 to 20 roundtable participants per session, open to public observation. The Auditing and Assurance Standards Board will be invited to attend the roundtables.

Action: Staff

Not-for-Profit Private Sector Financial Reporting Framework (Tier 3)

Agenda Item 5

The Board is continuing to develop its Exposure Draft of a proposed Tier 3 financial reporting framework for not-for-profit private sector entities. At this meeting, the Board decided to incorporate the following proposals or approaches in the ED:

- (a) an accounting policy choice for an entity to present separate financial statements, with disclosure of the notable relationships with other entities, as an alternative to presenting consolidated financial statements or assessing whether the entity is a parent entity. The notable relationships assessment will be based on the factors set out in AASB 128 *Investments in Associates and Joint Ventures* for determining the existence of significant influence over another entity, and would include controlled and jointly controlled entities (although they do not need to be identified as such for the separate financial statements);
- (b) disclosure of the following in respect of each notable relationship entity in the separate financial statements noted under (a):



- (i) its name;
 - (ii) a description of its relationship with the Tier 3 entity;
 - (iii) a description of its primary purpose and an indication of the nature of its operations; and
 - (iv) whether its financial statements are audited or reviewed;
- (c) seek views from stakeholders on whether any additional information about notable relationship entities would be useful to users of the separate financial statements of an entity that elects not to present consolidated financial statements or to assess whether it is a parent entity;
- (d) an accounting policy choice for an entity presenting separate financial statements, whether in addition to consolidated financial statements or as its only financial statements, to measure its investments in subsidiaries and (if applicable) its notable relationship entities:
- (i) at cost;
 - (ii) at fair value through profit or loss, unless the entity makes an irrevocable election to measure changes in fair value through other comprehensive income by type of investment at initial recognition; or
 - (iii) by applying the equity method of accounting;
- (e) require a parent entity presenting consolidated financial statements to measure its investments in associates and joint ventures in those financial statements by applying the equity method in accordance with AASB 128;
- (f) an accounting policy choice to measure investments in associates and joint ventures at cost, at fair value through profit or loss (unless the entity makes an irrevocable election to measure changes in fair value through other comprehensive income by type of investment at initial recognition) or by applying the equity method, for:
- (i) a parent entity presenting separate financial statements in addition to consolidated financial statements; and
 - (ii) an investor without subsidiaries presenting individual, equity-accounted or separate financial statements as its only financial statements;
- (g) require the same accounting policy to be applied for all investments in a single class, to ensure consistent accounting for a class of investment, but permit different policies for different classes:
- (i) subsidiaries;
 - (ii) associates;
 - (iii) joint ventures; and
 - (iv) notable relationship entities;



- (h) not to include the consolidation exemptions available to an investment entity set out in AASB 10 *Consolidated Financial Statements*;
- (i) require related party disclosures consistent with Tier 2 requirements, except for donations from a related party unless there is evidence that the donations could influence the entity's activities or use of resources;
- (j) include the following basic or commonly held financial instruments in the scope of the Tier 3 requirements:
 - (i) cash and cash equivalents;
 - (ii) trade and other receivables;
 - (iii) security bonds;
 - (iv) term deposits;
 - (v) government and listed corporate bonds;
 - (vi) units held in managed investment schemes, unit trusts and similar investment vehicles;
 - (vii) ordinary shares and non-convertible preference shares held in listed and non-listed entities, including shares redeemable for a known amount of cash or the amount of cash equivalent to their share of the net assets of the entity;
 - (viii) trade and other payables; and
 - (ix) loans (whether bearing interest at fixed or variable rates, interest-free or including terms that create leverage);
- (k) require the application of Tier 2 requirements to the following more complex financial instruments and financial instruments not commonly held by Tier 3 entities, but with hedge accounting prohibited:
 - (i) purchased debt instruments such as unlisted corporate bonds and convertible notes;
 - (ii) acquired equity instruments other than ordinary shares and non-convertible preference shares;
 - (iii) financial guarantee contracts;
 - (iv) derivatives such as interest rate swaps and forwards exchange contracts; and
 - (v) commitments to provide a loan at a below-market interest rate;
- (l) require transaction costs arising from financial assets and financial liabilities to be expensed when incurred;
- (m) require financial assets held for capital return and income that are in the scope of the Tier 3 requirements to be measured subsequently at fair value through profit or loss, subject to an irrevocable election available on initial recognition to recognise changes in fair value through other comprehensive income for a class of instruments;



- (n) not to require entities to recognise provisions for non-vesting accumulating employee benefits, unless the amounts are due and payable;
- (o) not to require entities to consider future pay increases when determining a provision for employee benefits measured at the undiscounted future outflow expected to be required to settle the present obligation;
- (p) not to develop guidance on probability assessments for long-service leave provisions, portable long-service leave or employee on-costs, except for an illustrative example of employee on-costs; and
- (q) require a modified retrospective approach to the correction of prior period accounting errors.

Action:

Staff

IASB Update

Agenda Item 6

IASB Board member Ann Tarca and staff member Roanne Hasegawa presented an overview of the IASB's decisions under its Primary Financial Statements project. Those decisions will be incorporated into a new Standard, IFRS 18 *Presentation and Disclosure in Financial Statements*, which is expected to be issued in 2024 for application to periods beginning on or after 1 January 2027. The new IFRS Standard principally would replace IAS 1 *Presentation of Financial Statements* and amend IAS 7 *Statement of Cash Flows*.

Post-implementation Review – Income of NFP Entities

Agenda Item 7

The Board discussed the feedback received in response to a number of the topics in Invitation to Comment ITC 50 *Post-implementation Review – Income of Not-for-Profit Entities*, in particular Topic 1: Sufficiently specific criterion and the legal interpretation of agreements, Topic 2: Capital grants and Topic 6: Termination for convenience clauses.

The Board directed staff to conduct further targeted outreach to assist the Board in deciding on the next steps, particularly for Topic 1, and noted the need for additional guidance to clarify the types of non-financial assets that could be subject to “capital grant accounting” (Topic 2). The Board will consider the remaining ITC 50 topics and next steps at subsequent meetings.

Action:

Staff



Forthcoming IASB Standard IFRS 18 *Presentation and Disclosure in Financial Statements*

Agenda Item 8

The Board discussed significant presentation and disclosure amendments expected to be incorporated in the forthcoming Accounting Standard IFRS 18 *Presentation and Disclosure in Financial Statements*, which is expected to be issued by the IASB in 2024 for application to periods beginning on or after 1 January 2027. For example, IFRS 18 is expected to require the disclosure of additional sub-totals in the statement of profit or loss as well as disclosures about management-defined performance measures.

The Board decided that the equivalent AASB Standard should apply to all for-profit and not-for-profit entities, and directed staff to undertake outreach with stakeholders regarding the need for Australian guidance or modifications in applying the Standard to the following types of entities:

- (a) not-for-profit private sector entities;
- (b) Whole of Government and General Government Sector;
- (c) other public sector entities; and
- (d) entities preparing Tier 2 general purpose financial statements in accordance with AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

The Board also decided to monitor the IPSASB's Presentation of Financial Statements project, including requesting comments from Australian stakeholders on the IPSASB's planned Consultation Paper.

Action:

Staff

Research Update

Agenda Item 9

The Board noted recent and upcoming Research Centre activities, including:

- (a) the release of research reports on making materiality judgements:
 - (i) AASB Research Report 21 *Auditors' Perspectives: The Impacts of IFRS Practice Statement 2 Making Materiality Judgements* (October 2023); and
 - (ii) AASB Research Report 22 / MASB Research Report 2 *Making Materiality Judgements – Malaysian Preparers and Auditors' Perspectives* (October 2023);
- (b) the October 2023 Dialogue Series session about navigating the Accounting Standards, including a demonstration of the functionality and usability of the new AASB pronouncements web portal;
- (c) the upcoming December 2023 Dialogue Series session, which will discuss the challenges and practical issues in making materiality judgements in financial reporting;



- (d) the 2023 AASB Research Forum, which was held in Brisbane, broadcast live in a Melbourne venue and also accessible through a virtual platform;
- (e) tentative plans for the 2024 AASB Research Forum; and
- (f) monitoring activities related to digital assets and digital corporate reporting projects.

Action: Staff

Documents Open for Comment

Agenda Item 10

The Board decided to comment on the following consultation documents in due course:

- (a) the IASB's Exposure Draft *Financial Instruments with Characteristics of Equity* – and appointed a sub-committee to finalise the Board's submission;
- (b) the IASB's forthcoming Exposure Draft *Business Combinations – Disclosures, Goodwill and Impairment*; and
- (c) the *Not-for-Profit Sector Development Blueprint Issues Paper* from the Blueprint Expert Reference Group.

The Board delegated to the Chair the decision whether to comment on the Draft Report *Future foundations for giving* from the Productivity Commission's inquiry into philanthropy in Australia.

The Board decided not to comment on the following consultation documents:

- (a) the IASB's proposed IFRS accounting taxonomy update;
- (b) the IPSASB's *Strategy and Work Program 2024–2028 Consultation* and ED 85 *Improvements to IPSAS, 2023*; and
- (c) CIPFA's International Non-Profit Accounting Guidance (INPAG) Part 2 ED.

Action: Staff
Chair
Sub-committee

Other Business – Financial Reporting

Agenda Item 11

The Board noted the IASB, IFRS Interpretations Committee, ISSB and IPSASB updates and other items.



The Board also noted that staff expect to distribute a ballot draft version of the replacement AASB 1056 *Superannuation Entities* in December for members' vote.

Action:	Staff
	Members

Other Business – Sustainability Reporting

Agenda Item 12

The Board noted the update on international and jurisdictional sustainability reporting developments.

Review of the Meeting

Agenda Item 13 – discussed in private

The Board reviewed the conduct of the meeting.

Close of the Meeting

The Chair closed the meeting at 1.10 pm on Thursday, 30 November 2023.

Approval of Minutes

Signed by the Chair as a correct record,
this 7th day of March 2024.