



**Subject:** Minutes of the 148<sup>th</sup> meeting of the AASB  
**Venue:** Teqsa Offices,  
Level 14, 530 Collins St, Melbourne  
**Time(s):** Wednesday 21 October 2015 from 9:30 am to 5.45 p.m.  
Thursday 22 October 2015 from 8.30 a.m. to 3.00 p.m.

All agenda items except items 12 and 22 were discussed in public.

## Attendance

**Members**  
Kris Peach (Chair)  
Mike Blake (apology day 1 from 9:30am - 10:45am, apology day 2 from 12:40pm – 2:45pm)  
Peter Carlson (apology day 1 from 9:30am– 10:40am, apology day 2 from 1:00pm – 3:00pm)  
Anna Crawford  
Kimberley Crook (apology day 2 from 8:30am – 10:00am)  
Regina Fikkers  
Peter Gibson  
Andrew Kearnan (apology day 2 from 12:00pm – 3:00pm)  
Carmen Ridley  
Taryn Rulton  
Marc Smit  
Ann Tarca  
Megan Wilson (apology day 2 from 2:40pm – 3:00pm)

**Observers**  
John O’Grady (apology day 1 from 3:30 pm – 5:45pm)  
Tim Youngberry (in part by teleconference)

**Apologies**  
Steve Mitsas

**In Attendance:**

**Staff**  
Clark Anstis (in part)  
Lisa Cloutter (in part)  
Nikole Gyles  
Ahmad Hamidi Ravari (in part)  
David Ji (in part)  
Kala Kandiah  
Eric Lee (in part)  
Evelyn Ling (in part)  
Lisa Panetta (in part)  
Mark Shying (in part)  
Daen Soukseun (in part)  
Joanna Spencer (in part)  
Shaun Steenkamp (in part)

**Other**  
Todd Beardsworth [New Zealand staff] (in part by teleconference)  
Clive Brodie [New Zealand staff] (in part by teleconference)  
Joanne Scott [New Zealand staff] (in part by teleconference)  
Vanessa Sealy-Fisher [New Zealand staff] (in part by teleconference)



## Agenda and Declaration of Interests

Agenda Item 1

### Declarations of Interest

Members indicated that, in the normal course of their day-to-day professional responsibilities, they deal with a broad range of financial reporting issues. Members have adopted the standing policy in respect of declarations of interest that a specific declaration will be made where there is a particular interest in an issue before the Board. No such matters arose in this meeting.

### Chair Report

#### *Staff Update*

The Chair congratulated Evelyn Ling on her promotion to Senior Project Manager.

The Chair noted that Nikole Gyles (Technical Director) will be going on maternity leave at the end of October 2015 and Lisa Panetta (Project Manager) will be doing the same at the start of November 2015. Kala Kandiah (Senior Project Manager) will be taking over some of Nikole's role while she is away and Lisa Cloutter will be the Board Secretary going forward.

A Director from Ernst & Young has been contracted by the AASB to provide input and review papers prepared by AASB staff on the *Service Concession Arrangement: Grantor and Income of Not-for-profit Entities* projects.

#### *Alumni Function*

The Chair noted that the AASB will be holding an Alumni cocktail function on 2 December 2015.

#### *AASB Outreach*

The Chair noted that the AASB will be hosting roundtables in November 2015 to obtain feedback on ED 270 *Service Performance Reporting*. These events will be held in Adelaide, Perth, Melbourne, Canberra, Brisbane and Sydney.

#### *GFS Manual*

AASB staff will provide comment on *Australian System of Government Finance Statistics (AGFS 15 Preliminary Manual): Concepts, Sources and Methods*.

#### *Office Relocation*

The Chair noted that the AASB relocated to Level 14, 530 Collins Street, Melbourne on 21 September 2015.

## Apologies, Minutes and Approvals Out of Session

Agenda Item 2

### Apologies

An apology was noted for Steve Mitsas for both days of the meeting. An apology was noted on day 1 for Mike Blake from 9:30 am – 10:45 am and Peter Carlson from 9:30 am – 10:40 am. An apology was noted on



day 2 for Mike Blake from 12:40 pm – 2:45 pm, for Peter Carlson from 1:00pm – 3:00 pm and for Andrew Kearnan from 12:0pm – 3:00pm.

## Minutes

The Board approved the minutes of the one hundred and forty-seventh meeting held on 2-3 September 2015.

## Approvals Out of Session

Since 19 August 2015, there have been no pronouncements issued that have required the Board's approval out-of-session.

## Conceptual Framework

Agenda Item 3

The Board continued its consideration of IASB Exposure Draft ED/2015/4 *Conceptual Framework for Financial Reporting* and ED/2015/4 *Updating References to the Conceptual Framework*. The Board's deliberations concentrated on the liability and measurement proposals of ED/2015/3. As part of its discussion, the Board had regard to submissions and other feedback received to date on AASB ED 264 *Conceptual Framework for Financial Reporting* and ED 265 *Updating References to the Conceptual Framework*.

The Board tentatively agreed with the positions taken in the draft comment letter, and decided also to:

- (a) specifically comment on the need for constructive obligations to be more clearly captured by the liability definition and present obligation discussion. The Board supported constructive obligations being limited to enforceable obligations (that is, defined narrowly) in a Conceptual Framework, and noted that different decisions could be made for particular obligations at a standards level;
- (b) include examples to illustrate the Board's concerns relating to the liability definition;
- (c) observe that it would be useful for the Conceptual Framework to develop some principles for identifying an appropriate unit of account. Board members disagreed with paragraph 4.58, which states that the unit of account is selected after considering how recognition and measurement would apply. Board members considered the converse to be a more appropriate approach; and
- (d) include an observation in the AASB submission about the relationship between the 'primary users' identified in the Conceptual Framework proposals and the Disclosure Initiative project.

The Board discussed the measurement proposals in ED/2015/3 and confirmed its previous decision for the AASB submission to support the Conceptual Framework aspiring to current value as a single measurement basis. The Board observed that a different measurement basis may be appropriate, at a standards level, for some assets and liabilities (and related income or expense), having regard to the qualitative characteristics of useful financial information and cost considerations.



The Board heard that its Conceptual Framework Board advisory group had contributed to the development of the draft comment letter. The Board agreed that the AASB submission be approved out-of-session by that advisory group.

Action:	Staff
	Conceptual Framework Board advisory group

## Financial Reporting by Not-for-Profit Entities

### Agenda Item 4

The Board received a presentation from Elka Johansson, a PhD student from Deakin University on financial reporting by NFP entities. The presentation indicated that despite empirical research that users require service performance reporting, NFP entities do not appear to be voluntarily providing this information.

## Communications & AASB Workplan

### Agenda Item 5

The Board agreed with the communications plans for key AASB projects and the new terms of reference for Project Advisory Panels (PAPs). Staff will be setting up PAPs for the following key projects:

- Service Concession Arrangements: Grantor
- Income of Not-for-profit Entities
- Reduced Disclosure Framework
- Disclosure Initiative

Staff will also be revising the current PAPs for Financial Instruments and Service Performance Reporting in line with the new terms of reference.

Action:	Staff
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## Service Concession Arrangements: Grantor

### Agenda Item 6

The Board tentatively decided that, consistent with the proposals in ED 261 *Service Concession Arrangements: Grantor*, the application of the final Standard on service concession arrangements should apply to all public sector grantors in both the for-profit and NFP sectors. The Board also discussed whether a for-profit entity applying the ED 261 proposals would be able to public sector make an explicit and unreserved statement that its financial statements comply with IFRS.

The Board directed staff to undertake further outreach to better understand the reasons why IFRS compliance is important to public sector for-profit entities and to identify any current circumstances where the



Board has permitted for-profit public sector entities to not comply with IFRS and how ED 260 would impact the Board's strategy to ensure for-profit entities can be IFRS compliant. The Board also directed staff to discuss with the IFRS Interpretations Committee staff the likelihood and timeframe of any possible response from the Committee if the Board sought confirmation from the Committee that the ED 260 proposals are consistent with IFRS, either on the narrow issue of application of IFRS 15 *Revenue from Contract with Customers*, or a broader range of issues. The Board directed staff to bring the findings for consideration at a future Board meeting.

The Board approved the plan for field testing the requirements of ED 261, noting that a longer timeline may be required to accommodate participants.

Action: Staff

## Income Tax Equivalents

Agenda Item 7

The Board decided to finalise an Agenda Decision in relation to *Accounting for Income Tax of Public Sector Entities* without amendment of the tentative agenda decision.

Action Staff

## IFRS Foundation Review

Agenda Item 8

The Board tentatively decided the preliminary comments to include in its submission to the IFRS Foundation in response to the Foundation's Request for Views – *Trustees' Review of Structure and Effectiveness: Issues for the Review*. The Board expressed general agreement with the proposals in the review, but noted concerns in relation to:

- (e) the operation and effectiveness of Transition Resource Groups and the IFRS Interpretations Committee; and
- (f) the overall geographical distribution of Trustees and IASB members.

Action Staff  
Chair

## AASB Agenda Consultation

Agenda Item 9

The Board agreed to finalise the wording of the AASB Agenda Consultation Invitation to Comment. In finalising the wording, the Board requested staff to incorporate further detail in relation to potential future research projects.

Action Staff



## International Meetings Update

Agenda Item 10

The Board received an update on the international meetings that the AASB Chair and staff had attended since the previous board meeting.

## International Projects Update

Agenda Item 11

### *IFRS Interpretations Committee*

The Board decided to write to the Committee expressing the view that a tentative agenda decision on a number of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* issues appears inappropriate as the Committee has decided to delay consideration of those issues until the IASB's 2015 Agenda Consultation has been finalised. The Board agreed to finalise its letter through the Chair.

The Board also directed staff to raise with IFRS Interpretation Committee staff comments about the drafting of the Committee's tentative agenda decision on IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* regarding the unit of account when an impairment loss is allocated to non-current assets within a disposal group.

### *IPSASB*

The Board received an update from IPSASB member Tim Youngberry in relation to the recent IPSASB meeting. Tim Youngberry informed the Board that Mike Blake has been appointed as a member of the IPSASB, for which the Board offered their congratulations.

### *IASB*

The Board noted the IASB's proposed IFRS 4 *Insurance Contracts* amendments that would allow insurers to defer application of IFRS 9 until 2021 (deferral approach), or if an insurer has already applied IFRS 9 that insurer could remove from profit or loss some accounting mismatches and temporary volatility that could occur before the revised IFRS 4 is implemented (overlay approach). Given these proposals will be subject to a future Exposure Draft (ED), the Board decided to defer any detailed discussion on the matter until it prepares its submission on that future ED. Accordingly, the Board decided not to take any action at this stage.

The Board also noted staff concerns about the IASB's deliberations on discount rates relating to present value measurement. The Board considered that a broader conceptual measurement project would better address this issue and decided to raise this point in its submission on the IASB's agenda consultation. Accordingly, the Board decided not to take any action at this stage.

Action:	Staff
	Chair



## Income of Not-for-Profit Entities

### Agenda Item 13

The Board continued its consideration of the feedback on Exposure Draft (ED) ED 260 *Income of Not-for-Profit Entities* and a draft project plan. The Board noted the majority of comment letter concerns related to the enforceability and 'sufficiently specific' characteristics as these determine whether income from grants would be deferred. The Board tentatively decided:

- (a) to reconfirm its decision to exclude not-for-profit (NFP) entities from AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*. The Board's decision reflected:
  - (i) the importance and quantum of grants and donations to the NFP sector relative to the for-profit sector;
  - (ii) recent international standards developments on this issue not being consistent with the requirements of IAS 20 (including IFRS for SMEs adopting a performance obligation approach, US and UK developments);
  - (iii) IAS 20 only covering a subset of transactions relevant to the NFP public sector; and
  - (iv) consistency with the Conceptual Framework;
- (b) to clarify the proposed Implementation Guidance to AASB 15 *Revenue from Contracts with Customers* in describing goods and services;
- (c) to clarify the proposed guidance in relation to enforceability, giving particular emphasis to:
  - (i) consequences of non-performance; and
  - (ii) substance of the arrangement, rather than whether it is documented or what it is called.

The Board agreed to consider further at the next Board meeting whether enforcement can occur through other than legal means (e.g. constructive obligations), and if so how this should be addressed.

The Board also noted that examples provided by respondents could be used to further examine the topics of bequests in perpetuity, including control of the asset, and whether there are sufficiently specific terms to create a performance obligation.

The Board asked staff to bring back to the next Board meeting draft wording and examples for Board consideration to assist in finalising their views in relation to these issues.

The Board deferred discussion of 'sufficiently specific' to the next Board meeting. The Board also noted the importance of having a Standard finalised in sufficient time for grant recipients to implement before the underlying Standard, AASB 15, applies (i.e. for periods beginning on or after 1 January 2018).



Action: Staff

## Australian Financial Reporting Framework

Agenda Item 14

### *Project Plan*

The Board noted an updated plan for the project to reconsider the Australian financial reporting framework in terms of which entities should prepare financial statements and the content of those financial statements.

### *Benchmarking Research Report*

The Board suggested that the draft benchmarking report on thresholds for public lodgement of financial statements (for for-profit private sector entities) better identify how it fits into the broader financial reporting framework project. The Board also requested staff to investigate the feasibility of including non-corporate for-profit entities within the scope of the report.

### *Consultation Paper Outline*

The Board also commented on a draft outline for a consultation paper on the corporate reporting framework that is to be developed in conjunction with the Commonwealth Treasury.

Action: Staff

## Reduced Disclosure Requirements (Tier 2) Principles

Agenda Item 15

The Board tentatively decided:

- (a) to propose the effective date of the revised RDR framework to be annual reporting periods beginning on or after 1 January 2018;
- (b) that disclosure concessions may apply for AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to Tier 2 entities. The Board also noted that this tentative decision may result in less disclosure than for special purpose financial statements for these standards;
- (c) Tier 1 and Tier 2 entities should have the same presentation requirements in relation to the face of the primary financial statements;
- (d) to amend the description of 'presentation' in the Tier 2 Disclosure Principles to better distinguish presentation from disclosure;
- (e) the paragraph proposed to be at the beginning of the RDR Appendix of each Standard addressing accounting policies, significant judgements and sources of estimation and uncertainty that are addressed in AASB 101 and AASB 108 should specifically note that, notwithstanding the disclosure concessions in the Standard, entities will still need to consider the application of AASB 101 and AASB 108 in regard to paragraphs in Standards addressing these issues;





- (f) that, in principle, early application of the revised RDR framework be permitted, and AASB 101, AASB 107 and AASB 108 be applied at the same time an entity first applies a revised RDR Standard; and
- (g) to not include any transitional provisions in the ED, but to ask a specific question in relation to this issue in the ED.

Action: Staff

## Clarifications to IFRS 15 revenue from Contracts with Customers

### Agenda Item 16

The Board decided to express general agreement with the IASB Exposure Draft ED/2015/6 *Clarifications to IFRS 15* in its comment letter to the IASB. However, the Board also decided to express the view that, as a matter of policy, it did not support the IASB making amendments to a Standard before the effective date and that the Joint Transition Resource Group for Revenue Recognition should be wound up.

The Board decided to finalise its submission to the IASB on ED/2015/6 out of session via the Chair.

Action: Staff  
Chair

## Scope Paragraphs for AASB 8 and AASB 133

### Agenda Item 17

The Board decided to amend AASB 8 *Operating Segments* and AASB 133 *Earnings per Share* to insert scope paragraphs as they appear in the corresponding IFRSs (paragraph 2 in each case). As those scope paragraphs are presently included in AASB 1057 *Application of Australian Accounting Standards* as part of the relevant application paragraphs, AASB 1057 will also be amended to remove the scope-paragraph text. There will be no impact as a result of the change.

Action: Staff  
Members

## Deferral of the Effective Date of AASB 15

### Agenda Item 18

Consistent with the IASB, the Board deferred the application date of AASB 15 *Revenue from Contracts with Customers* from annual reporting periods beginning on or after 1 January 2017 to 1 January 2018 by making Accounting Standard AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*.

AASB 2015-8 also defers the consequential amendments that were originally set out in AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*.

Action: Staff



## Research Update

Agenda Item 19

### *External Reporting Projects*

The Board discussed the factors that it might take into account in deciding whether to address projects outside conventional external financial reporting, such as evidence of unmet user needs. Such 'external reporting' projects might, for example, be carried out in conjunction with other policymakers.

The Board decided that the forthcoming AASB Agenda Consultation should address the prospect of the Board adding external reporting topics to its research agenda.

### *Post-Implementation Review of the Adoption of IFRSs in Australia*

The Board noted the project plan for the post-implementation review of the adoption of IFRSs in Australia and clarified that the expected outcomes of the project include an assessment of the appropriateness of adopting IFRSs and the Board's implementation through a transaction-neutral approach. The Board also noted the intention to consult with academics in respect of their research on IFRS adoption and to conduct focus group sessions in due course.

Action: Staff

## IPSASB ED 57 Impairment of Revalued Assets

Agenda Item 21.1

The Board had before it an issues paper from Ahmad Hamidi (agenda paper 21.1).

The Board noted Australian constituents had not raised issues regarding impairment of a single asset in a class causing significant revaluation issues. Accordingly, the IPSASB ED 57 proposals are unlikely to be relevant in Australia.

Action: Staff

## Close of Meeting

The Chair closed the meeting at 2.45 p.m. on Thursday 22 October 2015.

## Approval

Signed by the Chair as a correct record  
this second day of December 2015