



Issue: Number 152
Date: 27 July 2012
Subject: AASB Meeting 125, 25-26 July 2012

1. Overview

At this meeting the Board discussed key issues relating to:

- (a) financial reporting by superannuation entities (see section 2);
- (b) financial reporting by not-for-profit (NFP) entities within the general government sector (GGS) (see section 3);
- (c) service concession arrangements – grantors (see section 4);
- (d) related party disclosures by NFP public sector entities (see section 5); and
- (e) income from transactions of NFP entities (see section 6).

The Board also:

- (a) continued to monitor IASB projects addressing: revenue from contracts with customers (see section 7); leases (see section 8); and financial instruments (see section 9);
- (b) continued its review of AASB Interpretation 1039 relating to substantive enactment of major tax bills (see section 10);
- (c) considered comments to make in a submission on the IASB ED relating to Annual Improvements 2010—2012 Cycle (see section 11);
- (d) considered comments to make in a submission on the draft IASB and IFRS Interpretations Committee Due Process Handbook (see section 12);
- (e) considered an update on IFRS Interpretations Committee activities (see section 13);
- (f) considered comments to make in a submission on the IPSASB ED *Financial Statement Discussion and Analysis* (see section 14); and
- (g) considered a report on the IPSASB's June 2012 meeting (see section 15).

A list of recently approved documents is provided in section 16, and documents open for comment are listed in section 17.

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2. Superannuation Entities

The Board considered the comments received through submissions on ED 223 *Superannuation Entities* and the Board's April Roundtables on ED 223 on the issues not already dealt with at the June 2012 meeting.

The Board's decisions included:

- (a) to proceed with the proposal to require consolidated financial statements. In that context, the Board also noted the recent tentative decisions of the IASB on investment entity accounting and decided to monitor the potential implications of those decisions for superannuation entities;
- (b) to proceed with the proposal that the requirements of AASB 7 *Financial Instruments: Disclosures*, with the exception of the fair value disclosure requirements, should be applied to member benefit liabilities, with the possible addition of some further guidance;
- (c) to proceed with the proposal that the requirements of AASB 7 should be applied to non-financial liabilities (other than tax liabilities), while also acknowledging superannuation entities are likely to have few such liabilities;
- (d) in relation to Tier 2 general purpose financial statements, to retain the position under which:
 - (i) entities determine whether they are reporting entities and need to prepare general purpose financial statements; and
 - (ii) AASB 1053 *Application of Tiers of Australian Accounting Standards* deems superannuation plans regulated by the Australian Prudential Regulation Authority (APRA), other than Small APRA Funds, to have public accountability (and therefore they would apply Tier 1 requirements in preparing general purpose financial statements);
- (e) to clarify that pooled superannuation trusts would not be within the scope of the replacement standard;
- (f) there should be at least two years between the issue and application date of the replacement standard, but this period might be lengthened depending on the extent and likely impacts of changes from the existing requirements and the month in which the standard is issued; and
- (g) to permit early adoption of the replacement standard.

The Board intends to consider issues papers on measuring defined benefit liabilities and matters relating to public sector defined benefit superannuation plans at its next meeting.

3. ED 212 *Not-for-Profit Entities within the General Government Sector*

The Board continued its consideration of the comments it received in response to ED 212.

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This included consideration of part 3 of the collation of comments, which focused on the budgetary reporting proposals. The Board tentatively decided to develop requirements consistent with the budgetary reporting proposals in ED 212, with additional clarifications to address some of the specific issues raised by respondents. In particular, the Board tentatively decided to develop a standard that would require NFP entities within the GGS to disclose:

- (a) original budgeted financial statements, where such statements are presented to Parliament, recast if necessary to align with the presentation and classification adopted in the financial statements; and
- (b) original budgeted information about administered items, where such information is presented to Parliament, recast if necessary to align with the presentation and classification adopted in the financial report for the information about administered items presented in accordance with AASB 1050 *Administered Items*.

An explanation of major variances, including those arising from material revisions to budgets, would also be required.

The Board also considered part 4 (the final part) of the collation of comments. With the exception of the transitional period and operative date issues, the Board considered it had addressed the comments in that part in the process of forming its previous tentative decisions. The Board will consider the transitional period and operative date issues as part of its consideration of any sweep issues arising from the draft standard on budgetary reporting to be developed by staff.

The Board noted it has now addressed all the substantive issues relating to ED 212. Accordingly, because some parts of ED 212 were developed in response to part of a direction from the Financial Reporting Council (FRC), the Board decided a report should be prepared for the FRC outlining the history of the project, the due process followed by the Board and the basis for the Board's decisions in relation to the FRC direction.

4. Service Concession Arrangements – Grantors

The Board considered a preliminary staff issues paper addressing matters relevant to determining the suitability of IPSAS 32 *Service Concession Arrangements: Grantor* in an Australian context. The Board considers that IPSAS 32 provides an appropriate basis for developing an Australian pronouncement, although it is likely that modifications would need to be made. Accordingly, the Board directed staff to explore further the issues staff had identified and to consider the implications of the Board's ongoing project on Control in the NFP Sector (for example, as it relates to regulation) and the IASB's project on Revenue from Contracts with Customers (for example, as it relates to revenue from licences). The Board plans to consider a further issues paper at its next meeting.

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5. Related Party Disclosures by NFP Public Sector Entities

The Board completed its review of the comments received in response to ED 214 *Extending Related Party Disclosures to the Not-for-Profit Public Sector*, considering the remaining issues regarding ED 214 that had not been addressed at its June 2012 meeting.

The Board's decisions included that:

- (a) the requirements in AASB 124 *Related Party Disclosures* for disclosure of the remuneration of key management personnel (KMP) should apply to NFP public sector entities. However, due to significant practical difficulties that might be encountered in relating Ministerial remuneration to particular entities, the Board considered that some relief from the requirements should be provided where appropriate Ministerial remuneration disclosures are made in the financial statements of other entities in the jurisdiction; and
- (b) GGS financial statements should not be exempt from complying with AASB 124.

The Board considered that extending related party disclosures to NFP public sector entities based on the proposals in ED 214 and its decisions on the issues subsequently would improve general purpose financial reporting by such entities. The Board decided the amendments to AASB 124 should apply to annual reporting periods beginning on or after 1 July 2014, to allow sufficient time for entities to compile comparative information.

The Board will address the drafting of the amendments to AASB 124 out of session.

6. Income from Transactions of NFP Entities

The Board noted the IASB has tentatively decided to not proceed with its proposal in IASB ED/2011/6 *Revenue from Contracts with Customers* for recognising onerous performance obligations, and to instead apply the requirements for onerous contracts in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to contracts with customers. The Board decided its ED on Income from Transactions of NFP Entities (which will be based on the IASB ED) should note this IASB decision, and indicate the AASB's intention to conform to the ultimate IASB decision.

The Board received a staff report on a recent teleconference with various HoTARAC members regarding this project, particularly in relation to the draft proposed principles for identifying performance obligations. In light of the issues raised by HoTARAC members, the Board decided to add clarifications of some of those principles.

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7. Revenue from Contracts with Customers

The Board received an update on the discussion by the IASB and the FASB in their July 2012 meeting on the Revenue from Contracts with Customers project. The Board decided there were no issues that ought to be raised formally with the IASB at this stage.

8. Leases

The Board received an update on the discussion by the IASB and the FASB in their June and July 2012 meetings on the Leases project. The Board decided there were no issues that ought to be raised with the IASB prior to drafting its submission on the forthcoming further IASB ED. However, the Board noted it has significant reservations about the tentative decision by the IASB and the FASB to distinguish between two types of leases and treat them differently for lease expense recognition purposes.

9. Financial Instruments

The Board noted the IASB has completed its deliberations for the purposes of further EDs on the 'impairment' and 'classification and measurement' phases of the Financial Instruments project.

The proposed impairment model is based on the general deterioration of credit quality and would require entities to categorise financial assets measured at amortised cost into three 'buckets'. Measurement of financial assets in 'bucket 1' would result in recognition of losses on 'day one'. The IASB will commence drafting a revised ED on impairment while the FASB continues to consider findings from its outreach on the application of the model.

The Board also noted that the IASB staff draft standard on general hedge accounting is now expected to be available on the IASB website for 90 days, no earlier than August 2012.

10. Income Tax – Substantive Enactment

The Board received an update on correspondence with IFRS Interpretations Committee staff and an analysis of AASB Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia*. The Board decided to issue an ED proposing the withdrawal of the Interpretation on the basis that the principle in the Interpretation is not clear. The basis for conclusions accompanying the ED will note the Board's view that in Australia a tax Bill would not be considered substantively enacted until it has passed through the Parliament. The Board decided the ED would be open for comment for a period of 90 days.

11. IASB ED – Annual Improvements 2010–2012 Cycle

The Board considered preliminary staff views on IASB ED/2012/1 *Annual Improvements to IFRSs 2010–2012 Cycle*. Subject to any additional issues identified in comment letters received by the Board in response to its ED 225 (which incorporates IASB ED/2012/1), the Board decided to express concerns to the

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IASB about the clarity of drafting of the proposed amendments to IFRS 2 *Share-based Payment*; IFRS 13 *Fair Value Measurement*; IAS 12 *Income Taxes*; IAS 16 *Property, Plant and Equipment*; and IAS 38 *Intangible Assets*. The Board decided to finalise the submission to the IASB out of session.

12. IASB and IFRS Interpretations Committee Due Process Handbook

The Board considered issues identified by staff in respect of the IFRS Foundation's Invitation to Comment *IASB and IFRS Interpretations Committee Due Process Handbook* and decided to make a submission.

The Board decided its submission should express general support for the proposed updated Handbook, whilst noting some reservations. The main reservation relates to whether, in implementing the proposals, the Foundation would be able to maintain a reasonable balance between:

- (a) ensuring the IASB and the Committee are actively issuing and revising their Standards and Interpretations on a timely basis to support the issuance of high-quality financial reports that are responsive to user needs; and
- (b) ensuring a high-quality governance process is followed in developing and approving these Standards and Interpretations.

The Board also noted concerns relating to effective dates and transitional matters pertinent to Standards.

The submission will be finalised by the Chairman.

13. IFRS Interpretations Committee

July 2012 IFRS Interpretations Committee meeting

The Board received a report on the tentative decisions made by the IFRS Interpretations Committee at its July 2012 meeting. The Board particularly noted that the Committee's agenda decisions in relation to (a) presentation of payments of non-income taxes, and (b) accounting for market value uplifts on assets that are to be introduced by a new income tax regime, are consistent with the AASB's tentative agenda decisions issued in December 2011 in the context of a Minerals Resource Rent Tax. Accordingly, the Board decided it does not need to finalise its own tentative agenda decisions because the issues have been sufficiently addressed by the Committee.

The Board decided there were no issues arising out of the July 2012 Committee meeting that ought to be raised with the Committee at this stage.

Draft IFRIC Interpretation DI/2012/1 Levies Charged by Public Authorities on Entities that Operate in a Specific Market

The Board decided its submission on Draft IFRIC Interpretation DI/2012/1 should include comments that:

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- (a) it is questionable whether the Interpretation needs to be issued, because one of the main sources of potential diversity in practice (namely, the timing of recognition of liabilities for levies that become due only if a minimum revenue threshold is achieved) is excluded from the scope of the Draft Interpretation; and
- (b) if the Interpretation is issued, its proposals are broadly supported by the Board, except that:
 - (i) its scope should be amended and clarified, because, for example:
 - (A) it could result in inconsistent financial reporting outcomes if levies that become due only if a minimum revenue threshold is achieved are excluded, but levies that become due only if another type of minimum threshold is achieved (e.g., payroll tax with an expenditure threshold) are included; and
 - (B) it is unnecessary and inappropriate to indicate the Interpretation applies to 'non-exchange transactions'; and
 - (ii) consistent with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the Interpretation should not address whether recognition of a liability within its scope gives rise to an expense.

Draft IFRIC Interpretation DI/2012/2 Put Options Written on Non-controlling Interests

The Board decided its submission on Draft IFRIC Interpretation DI/2012/2 should support the conclusions in the Draft Interpretation.

Process

The Board decided to finalise the submissions on the above Draft Interpretations to the Committee out of session, having regard to any comments that might be received from constituents.

14. IPSASB ED – Financial Statement Discussion and Analysis

The Board considered issues identified by staff in respect of IPSASB ED 47 *Financial Statement Discussion and Analysis* and decided to make a submission.

The Board decided its submission should address a number of issues, including the following:

- (a) it is unclear how the proposals for a Financial Statement Discussion and Analysis (FSDA) fit within the IPSASB's overarching view of general purpose financial reporting relative to other components being considered in other IPSASB projects, such as service performance reporting and reporting on the long-term sustainability of an entity's finances. For example, the various components seem to overlap. Furthermore, the IPSASB's proposal to make the requirements for FSDA mandatory for entities complying with IPSASs appears to be inconsistent with the IPSASB contemplating non-

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authoritative guidelines for service performance reporting and reporting on the long-term sustainability of an entity's finances; and

- (b) the potential inconsistencies with the requirements of IPSAS 24 *Presentation of Budget Information in Financial Statements*, which applies only to entities that are required or elect to make their approved budget publicly available.

The submission will be finalised by the Chairman.

15. IPSASB Report

The Board received a report on the IPSASB's June 2012 meeting, particularly noting the following:

- (a) progress on various IPSASB projects (including the Conceptual Framework, Public Sector Combinations, First-time Adoption of IPSASs, and an update of its IPSASs on Consolidation and Joint Arrangements);
- (b) the IPSASB expects to finalise at its next meeting a Consultation Paper on IPSASs and Government Finance Statistics (GFS) Reporting Guidelines. The Consultation Paper will address differences between IPSASs and GFS, considering the opportunities for the IPSASB and the statistical community to reduce differences and how differences could best be managed by entities reporting under both IPSASs and GFS requirements; and
- (c) the IPSASB has now issued its Consultation Paper on projects that should be added to its work program in 2013-14. A more extensive consultation on its work program is expected once formal oversight arrangements for the IPSASB are in place.

16. Recently Approved Documents

Since its previous meeting (6-7 June 2012), the Board approved out of session the following Standards:

- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*;
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*;
- AASB 2012-4 *Amendments to Australian Accounting Standards – Government Loans*;
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle*; and
- AASB 1048 *Interpretation of Standards* (revised).

In addition, the Board issued the following Consultation documents:

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- ED 225 *Annual Improvements to IFRSs 2010—2012 Cycle*, which is open for comment to the AASB until 13 August 2012; and
- ITC 27 *Request for Comment on IASB Request for Information on Post-implementation Review: IFRS 8 Operating Segments*, which is open for comment to the AASB until 11 October 2012.

17. Documents Open for Comment

The following documents are open for comment. AASB submissions are published on the AASB website.

Originating Organisation	Document	AASB No.	AASB Due Date	Other Organisation Due Date
IPSASB	Financial Statement Discussion and Analysis (Exposure Draft)	–	–	31 July 2012
IASB	Annual Improvements to IFRSs 2010—2012 Cycle (Exposure Draft)	ED 225	13 August 2012	5 September 2012
IFRS Foundation	IASB and IFRS Interpretations Committee Due Process Handbook (Invitation to Comment)	–	–	5 September 2012
IFRS IC	Levies Charged by Public Authorities on Entities that Operate in a Specific Market (Draft Interpretation)	–	13 August 2012	5 September 2012
IFRS IC	Put Options Written on Non-controlling Interests (Draft Interpretation)	–	3 September 2012	1 October 2012
IPSASB	Public Sector Combinations (Consultation Paper)	–	–	31 October 2012
IPSASB	Consultation on IPSASB Work Program 2013-2014 (Consultation Paper)	–	–	31 October 2012
IASB	Post-implementation Review: IFRS 8 <i>Operating Segments</i> (Request for Information)	ITC 27	11 October 2012	16 November 2012
IASB	Comprehensive Review of the IFRS for SMEs (Request for Information)	–	–	30 November 2012

18. Board Minutes

The Board approved the minutes of Meeting 124, held on 6-7 June 2012. These are now available on the AASB's website.

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19. Next Meeting – 5-6 September 2012

It is expected the Board will deal with the following items:

- Superannuation Entities
- Service Concession Arrangements – Grantors
- Financial Instruments, including hedge accounting
- Investment Entities
- IFRS 8 *Operating Segments* – post-implementation review
- IFRS for SMEs – comprehensive review
- IPSASB CP – Public Sector Combinations
- IPSASB CP – 2013-2014 Work Program

20. Future Meetings

Future meeting dates scheduled for the AASB are:

- 5-6 September 2012
- 31 October – 1 November 2012
- 12-13 December 2012
- 20-21 February 2013
- 10-11 April 2013
- 29-30 May 2013
- 17-18 July 2013
- 4-5 September 2013
- 23-24 October 2013
- 11-12 December 2013

Unless indicated otherwise, meetings are held in Melbourne.

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