



Issue: Number 151
Date: 8 June 2012
Subject: AASB Meeting 124, 6-7 June 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 entities within the general government sector (see section 3)
- (c) related party disclosures in the not-for-profit public sector (see section 4)
- (d) income from transactions of not-for-profit entities (see section 5)
- (e) control in the not-for-profit public and private sectors (see section 6).

The Board also:

- (a) progressed its review of AASB Interpretation 1039 relating to substantive enactment (see section 7)
- (b) considered a draft revised AASB 1048 *Interpretation of Standards* (see section 8)
- (c) considered staff views on financial reporting implications of a carbon tax (see section 9)
- (d) continued to monitor IASB projects addressing: financial instruments (see section 10); leases (see section 11); revenue from contracts with customers (see section 12); and the post-implementation review of IFRS 8 *Operating Segments* (see section 13)
- (e) received a report on the IFRS Interpretations Committee's May 2012 meeting (see section 14)
- (f) considered EFRAG's Discussion Paper on income tax (see section 15)
- (g) considered its approach to commenting on proposals for oversight of the IPSASB (see section 16)
- (h) received a report from the Chair of the NZASB on developments in NZ (see section 17)
- (i) discussed a draft AASB strategic plan (see section 18).

A list of recently approved documents is provided in section 19, and documents open for comment are listed in section 20.

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2. Financial Reporting by Superannuation Entities

The Board considered comments received through submissions on ED 223 *Superannuation Entities* and the AASB's April 2012 Roundtables on ED 223 and other staff liaison with constituents. ED 223 is the most recent consultative document in the project to develop a replacement standard for AAS 25 *Financial Reporting by Superannuation Plans*.

The Board noted that staff consultation with constituents, in particular those in the public sector, is continuing on a number of issues and that staff are liaising with the Australian Prudential Regulation Authority (APRA) in the context of the Stronger Super reforms.

The main tentative decisions made by the Board included:

- (a) an income statement and a statement of changes in member benefits should be presented by superannuation entities as separate statements, primarily on the basis that contributions and benefit payments are not revenues and expenses. The Board acknowledged that, if preparers were concerned about the relationships between certain pieces of information in the two statements they could draw those relationships out in various ways, including by having the two statements on the same page;
- (b) a statement of changes in equity should be presented by superannuation entities when relevant. The Board noted that AASB 101 Presentation of Financial Statements acknowledges an entity might need to adapt the presentation to suit its circumstances;
- (c) the granularity of presentation and disclosure should be a matter for professional judgement exercised in accordance with AASB 101 and an indicative list of disclosures of types of expenses should be provided in guidance;
- (d) defined contribution benefit liabilities should, in principle, be measured as accrued benefits, which in the vast majority of cases, would be the same as the vested benefits payable on demand. Accordingly, the Board decided the defined contribution benefit liabilities should be measured at their vested amount and guidance should be provided on the meaning of 'payable on demand' in a superannuation context;
- (e) staff should prepare a paper on the measurement of defined accrued benefits that considers factors relevant to their measurement, including the determination of future cash flows and the types of risks relevant to the liability;
- (f) any insurance assets and liabilities should be measured consistently with the basis to be required for defined accrued benefits and guidance should be included that acknowledges (in respect of insurance coverage of members) that some superannuation entities do not have insurance assets and liabilities; some have insurance contracts of such short duration that they would not be expected

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to have material insurance assets and liabilities; and some bear material insurance risks and therefore would be expected to recognise insurance assets and liabilities; and

- (g) the principles in AASB 8 *Operating Segments* should be applied by superannuation entities and guidance should be provided on the key aspects of those principles that might apply in a superannuation context.

The remaining issues identified in the agenda papers (including some disclosure issues, consolidation, the need for Tier 2 requirements and transitional arrangements) were deferred for consideration at a future meeting. Further papers dealing with the decisions made at this meeting and with issues that may emerge from further liaison with public sector superannuation entities and the APRA will also be considered at a future meeting.

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

The Board considered Part 2 of the collation of comments on ED 212, focusing on comments received on the proposal to require disclosure (on the face of the financial statements or in the notes) of information based on GAAP/GFS harmonised classification and presentation principles for controlled items and, separately, administered items. In relation to income and expenses, the Board discussed the relationship between information provided by the current distinction between 'profit and loss items' and 'other comprehensive income items' and information that would be provided through a distinction between the GFS notions of 'transactions' and 'other economic flows'.

After considering the submissions on ED 212, the Board tentatively decided not to proceed with the proposed way of enhancing the presentation of financial statements for NFP entities within the GGS. This was principally on the basis that issues relating to the presentation of financial statements are expected to be considered more fundamentally by the IASB (based on the outcomes of the IASB's consideration of submissions on its agenda consultation at its May 2012 meeting) and possibly by the IPSASB. The principal concerns discussed in this regard were: the relationship between the ED 212 proposals and what was likely to be discussed in the IASB fundamental review of presentation and disclosure; the overlap in time frames now likely to occur between when the ED 212 proposals might otherwise become applicable and the IASB work; and the divided views of those submitting comments on the benefit to users of the particular proposals made.

The Board's aim is to consider at its next meeting constituent feedback on the remaining proposals in ED 212, of which the principal matter relates to budget versus actual reporting. It will then consider all of its tentative decisions before concluding on future directions for this project.

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4. Related Party Disclosures by NFP Public Sector Entities

The Board reviewed the submissions received in response to ED 214 *Extending Related Party Disclosures to the Not-for-Profit Public Sector* (July 2011) and the comments of participants in roundtable discussions that were held in October 2011.

The Board requested staff to develop examples and guidance that would assist NFP public sector entities to apply AASB 124 *Related Party Disclosures*. For example, the Board considered that guidance should emphasise the principles of the definition of 'key management personnel' (KMP), which could mean that some government Ministers would not be regarded as KMP of the government in the particular circumstances of the jurisdiction.

The Board decided to further consider whether the remuneration of Ministers who are KMP should be included in the aggregate KMP remuneration disclosures of each public sector entity or, given existing disclosure requirements for Ministers, whether a descriptive disclosure concerning Ministerial remuneration might be sufficient where the remuneration is appropriately disclosed elsewhere.

In relation to related party transactions, the Board considered that the application of the materiality principle is sufficient to distinguish transactions that ought to be disclosed and that no specific exemption is required regarding Ministerial related party transactions. Board members noted that the development of some illustrative examples would help in applying the principle.

The Board did not consider all of the issues that had been raised in the agenda papers. The Board plans to consider the remaining issues and draft examples and guidance at its next meeting.

5. Income from Transactions of NFP Entities

Among other things, the Board considered comments on its draft proposal that a promise to provide goods or services must be both legally enforceable and 'sufficiently specific' to qualify as a performance obligation (liability).

In relation to enforceability, the Board decided some of its draft examples of sources of enforceability should be expressed more generically. It reaffirmed its previous tentative decision that a transferor's capacity or threat to withhold future funding to which the transferee is not presently entitled is a source of economic compulsion that does not, of itself, make a promise enforceable upon a transferee.

In relation to specificity, the Board decided to propose a principle that a 'sufficiently specific' stipulation must specify the goods or services to be transferred in sufficient detail to enable identification of how and when the performance obligation is satisfied. The Board decided to largely retain its draft examples of 'sufficiently specific' stipulations, but to clarify that those examples are indicative and not a substitute for meeting the principle.

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The Board noted that if a transfer of assets to a NFP entity (other than a borrowing or contribution by owners) does not give rise to a performance obligation, it would be immediately recognised as income.

The Board decided the comment period for the forthcoming ED that will incorporate the above decisions should be substantial, but should not exceed four months, noting that the aim is to issue the ED in the near future.

6. Control in the NFP Public and Private Sectors

The Board considered the remaining issues regarding its draft ED, which will propose Australian NFP entity implementation guidance for inclusion in AASB 10 *Consolidated Financial Statements*.

The Board generally supported the revised example in the agenda paper concerning whether a department controls a statutory authority.

The Board also considered that the trustee of a trust would control the trust if the control criteria were satisfied, and decided that the ED should include examples illustrating circumstances where a charity controls a trust and where a charity does not control a trust.

The Board discussed paragraph B65, which addresses substantive removal rights, and decided that it does not give rise to NFP specific issues. It also decided to seek clarification of the intention of the paragraph from the IASB.

The Board decided to finalise the draft ED out of session, and is aiming to issue it as soon as practicable.

7. Income Tax – Substantive Enactment

The Board received a staff analysis of AASB Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia*. The analysis included consideration of implementation issues and a comparison of how related matters are dealt with in other jurisdictions. In the first instance, the Board asked staff to advise the IFRS Interpretations Committee of the apparent diversity in practice internationally with a view to ascertaining whether the issue of substantive enactment might be an issue needing that Committee's attention.

8. Revision of AASB 1048 *Interpretation of Standards*

The Board considered a draft revised version of AASB 1048, amended to refer to AASB and UIG Interpretations that are mandatory for periods ending on or after 30 June 2012. The Board decided to reissue AASB 1048 and to vote out of session on an updated version of AASB 1048 by the end of June 2012.

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9. Financial Reporting Implications of a Carbon Tax

The Board continued its discussion of staff views on the financial reporting implications of the carbon pricing mechanism for both emitter entities and the Commonwealth Government during the fixed price phase. The purpose of the discussion was to provide further input to staff papers being developed on the topic. The staff papers are intended to draw out for constituents various financial reporting issues that may arise during the fixed price phase and possible accounting treatments in respect of those issues based on current Australian Accounting Standards. The staff papers are intended to be published on the AASB website as soon as practicable.

10. Financial Instruments

IASB Developments

The Board received an update on the 'impairment' and 'classification and measurement' phases of the IASB's Financial Instruments project. The IASB's tentative decision at its May 2012 meeting to include a category of debt instruments measured at fair value through other comprehensive income was noted. The Board decided that there were no issues that ought to be raised with the IASB at this stage.

General Hedge Accounting – Due Process

The Board decided to notify constituents of the release of the forthcoming IASB staff 'fatal flaw' draft IFRS for general hedge accounting via an AASB website alert, and to place the IASB staff draft on the AASB website.

Disclosures on Transition to AASB 9 – Due Process

The Board noted that the comment period for the AASB's Invitation to Comment ITC 26 *Disclosures on Transition to AASB 9* had closed with no comments received. A ballot draft of the Amending Standard will be sent to Board members for out-of-session voting shortly.

11. Leases

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

12. Revenue from Contracts with Customers

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

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13. IASB Post-Implementation Review – IFRS 8 *Operating Segments*

The Board received an update on the tentative decisions made by the IASB in its May 2012 meeting on the IASB's planned approach to the post-implementation review of IFRS 8. The Board decided there were no issues that ought to be raised with the IASB at this stage.

14. IFRS Interpretations Committee Update

The Board received an update on the tentative decisions made by the IFRS Interpretations Committee at its May 2012 meeting. The Board decided there were no issues that ought to be raised with the Committee at this stage.

15. Income Tax – EFRAG Discussion Paper

The Board decided that the staff should provide broad comments to the European Financial Reporting Advisory Group (EFRAG) on its Discussion Paper *Improving the Financial Reporting of Income Tax*.

16. Monitoring Group CP: Proposals for Oversight of the IPSASB

The Board decided to make a submission to the international Monitoring Group, which is supported by the International Organization of Securities Commissions (IOSCO), in response to the Monitoring Group's Consultation Paper (CP) regarding the governance arrangements for the standard-setting boards of the International Federation of Accountants (IFAC), including the IPSASB. The CP proposals include the possibility of extending the remit of the Public Interest Oversight Board (PIOB) to cover the IPSASB, in addition to its existing coverage of the other IFAC standard-setting boards.

The Board's submission is to emphasise that the development of oversight arrangements for the IPSASB, based on best practice, is very important in broadening support for the work of the IPSASB and that such arrangements therefore should be established as soon as possible.

17. NZ Developments

Michelle Embling, Chair of the New Zealand Accounting Standards Board, updated the Board on current developments regarding Accounting Standards in New Zealand.

18. AASB Strategic Plan

In closed session, the Board considered a draft strategic plan, which included discussion of likely international developments, domestic requirements and its resources, and prioritised its objectives. The draft plan will be developed further for review by the Board.

The FRC Chair, Lynn Wood, who attended this session, assisted discussions by providing background on the activities of the FRC, including the work of its Task Forces on complexity in financial reporting, public

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sector financial reporting, promoting board understanding of financial reporting, and integrated reporting. In relation to integrated reporting, Ms Wood particularly noted the FRC submission on an International Integrated Reporting Committee (IIRC) Discussion Paper (refer to http://www.frc.gov.au/reports/submissions/FRC_submission_IIRC_final.pdf). Ms Wood informed the Board of subsequent correspondence from the Chair of the IIRC that advises that the Integrated Report is not intended to replace financial statements.

19. Recently Approved Documents

Since its April 2012 meeting, the Board approved out of session ED 225 *Annual Improvements to IFRSs 2010—2012 Cycle*, which incorporates IASB ED/2012/1 and is open for comment to the AASB until 13 August 2012.

20. 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
Monitoring Group	Oversight of International Public Sector Accounting Standards Board (Consultation Paper)	–	–	28 June 2012
EFRAG	Improving the Financial Reporting of Income Tax (Discussion Paper)	–	–	29 June 2012
IPSASB	Financial Statement Discussion & Analysis (Exposure Draft)	–	–	31 July 2012
IASB	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 (Exposure Draft)	–	13 August 2012	5 September 2012
IFRS IC	Put Options Written on Non-controlling Interests (Exposure Draft)	–	5 September 2012	1 October 2012

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21. Board Minutes

The Board approved the minutes of Meeting 123, held on 18-19 April 2012. These are now available on the AASB's website.

22. Next Meeting – 25-26 July 2012

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

- ED 212 *Not-for-Profit Entities within the General Government Sector*
- Related Party Disclosures by NFP Public Sector Entities
- Service Concession Arrangements – Grantors
- Income from Transactions of NFP Entities
- Superannuation Entities
- Financial Instruments, including hedge accounting
- Income Tax – Substantive Enactment
- Revenue from Contracts with Customers
- Leases
- IASB ED: Annual Improvements 2010-2012
- IASB and IFRS Interpretations Committee Due Process Handbook
- IPSASB ED: Financial Statement Discussion & Analysis

23. Future Meetings

The remaining 2012 meeting dates are:

- 25-26 July
- 5-6 September
- 31 October – 1 November
- 12-13 December

The dates scheduled for 2013 are:

- 20-21 February
- 10-11 April
- 29-30 May
- 17-18 July
- 4-5 September
- 23-24 October
- 11-12 December

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