



**Subject:** Minutes of the 126<sup>th</sup> meeting of the AASB  
**Venue:** Ken Spencer Room, AASB offices  
Level 7, 600 Bourke St, Melbourne  
**Time(s):** Wednesday 5 September 2012 from 9.00 a.m. to 5.45 p.m.  
Thursday 6 September 2012 from 9.15 a.m. to 12.00 p.m.

All agenda items except items 1 and 6 were discussed in public.

## Attendance

Members	Kevin Stevenson (Chairman) Ian McPhee (Deputy Chair) Kris Peach (Deputy Chair) Victor Clarke Anna Crawford (day 1) Michelle Embling John O'Grady Liane Papaelias Carmen Ridley Brett Rix Roger Sexton Robert Williams
Apologies	Anna Crawford (day 2) Jayne Godfrey Sue Highland
In Attendance: Staff	Clark Anstis (in part) Natalie Batsakis (in part) Peter Batten Nikole Gyles (in part) Robert Keys Gunter Leng (in part) Sue Lightfoot (in part) Christina Ng (in part) Shu In Oei (in part) Jim Paul (in part) Angus Thomson Daisy Yang (in part)
Other	Ian Mackintosh, IASB Vice-Chairman (Day 1) Frank Traczewski, consultant (item 13)

## **Agenda, Declaration of Interests and Chairman's Report**

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. Anna Crawford and Ian McPhee advised that they or the organisation in which they work have a particular interest in item 16, Defence Weapons Platforms. No other declarations were made.

### **Chairman's Report**

#### *AASB Strategic Plan*

The Chairman advised that the AASB strategic plan has been submitted to the FRC and was well regarded. The Chair noted that periodic reports against the plan will be included in agenda papers of future AASB meetings.

#### *IASB*

The Chairman noted that Ian Mackintosh was present at the meeting and would talk about IFRS developments (item 8).

#### *Asian-Oceanian Standard-Setters Group (AOSSG)*

The Chairman noted that:

- (a) staff are closely supporting Nepal, which is hosting the Annual AOSSG meeting to be held in November 2012;
- (b) Australia is a member of the ASSOG Working Group formed to participate in the IASB review of the IFRS for SMEs;
- (c) he had participated in a teleconference discussing regionalisation on 1 August 2012 with the other regional groups and major national standard setters; and
- (d) there were upcoming teleconferences and informal meetings.

#### *FRC*

The Chairman noted consideration of the AASB's strategic plan and current developments in the FRC sub-committees on complexity in financial reporting and integrated reporting.

#### *IFASS (formerly NSS)*

The Chairman noted that:

- (a) the next meeting of IFASS is to be held in October 2012 – and will include a presentation on the results of AASB staff research into the initial accounting for intangible assets acquired in a business combination; and

(b) AASB staff have completed the draft model for NSS and placed it on the IASB's Sharepoint website.

#### *Involvement with Other Bodies*

The Chairman noted that:

- (a) staff continue to liaise with the Australian Charities and Not-for-profits Commission Taskforce in the context of financial reporting. Meetings with other constituents were also noted.
- (b) Kerryn Chalmers (Professor at Monash University) has been nominated for the IASB Consultative Group on Effects Analyses and Fieldwork.
- (c) staff also met with Japanese Institute of Certified Public Accountants representatives to outline Australia's experience with public sector standard setting.

#### *Other*

The Chairman noted staff presentations and recent and forthcoming staff movements and achievements.

## **Apologies, Minutes and Approvals Out of Session**

Agenda Item 2

### **Apologies**

Apologies were noted for Jayne Godfrey (days 1&2), Sue Highland (days 1&2), and Anna Crawford (day 2).

### **Minutes**

The Board approved the minutes of the one hundred and twenty-fifth meeting held on 25-26 July 2012. There were no matters arising not otherwise addressed in the agenda.

### **Approvals Out of Session**

The Board had before it a Voting Summary (Board only) (agenda paper 2.2, tabled). The Board noted its approval of the following consultation document:

- ED 226 Withdrawal of Australian Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia*.

No consultation documents had been issued under the Board's delegated authority for the Chairman to issue IASB consultation documents where there is no significant additional Australian material.

## **Other Business**

Agenda Item 3

The Board had before it:

- (a) a memorandum from Gunter Leng, Peter Batten and Robert Keys dated 22 August 2012 re: AASB Work Program (agenda paper 3.1);
- (b) summary of AASB Work Program (August 2012) (agenda paper 3.1.1);
- (c) detailed AASB Work Program (August 2012) (agenda paper 3.1.2);



- (d) Consultation Submissions Pipeline Report (22 August 2012) [Board only] (agenda paper 3.1.3);
- (e) AASB Sub-committee membership listing as at 31 August 2012 [Board only] (agenda paper 3.2);
- (f) IFRS Press Release dated 25 July 2012 (agenda paper 3.3);
- (g) letter from AASB Chairman to IPSASB Technical Director dated 6 August 2012 re IPSASB Exposure Draft ED 47 *Financial Statement Discussion and Analysis* (agenda paper 3.4);
- (h) AASB Communications Report dated 22 August 2012 [Board only] (agenda paper 3.5);
- (i) letter from AASB Chairman to IFRS Interpretations Committee Chairman dated 21 August 2012 re Draft IFRIC Interpretation DI/2012/1 *Levies Charged by Public Authorities on Entities that Operate in a Specific Market* (agenda paper 3.6);
- (j) letter from AASB Chairman to Chairman of the Due Process Oversight Committee IFRS Foundation dated 22 August 2012 re IFRS Foundation Invitation to Comment (ITC ) *IASB and IFRS Interpretations Committee Due Process Handbook* (agenda paper 3.7); and
- (k) letter from AASB Chairman to Chairman of the IASB dated 27 August 2012 re IASB Exposure Draft ED/2012/1 *Annual Improvements to IFRSs 2010-2012 Cycle* (agenda paper 3.8).

The Board noted the agenda papers.

Michele Embling briefly advised the Board on recent New Zealand legislative and accounting developments.

*Policy on the timing of incorporating IFRSs into Australian Accounting Standards*

The Board noted that:

- (a) its current policies are to have the same effective date for each IFRS in Australia as that determined by the IASB and to permit early adoption of a Standard in line with IFRS effective dates, which have led to the Board always seeking to have new or amended Australian Accounting Standards made as soon as feasible after the IASB issues the relevant IFRSs;
- (b) the policies referred to in (a) are different from those applied in the European Union, where the endorsement process can take years;
- (c) the phased approach to IFRS 9 and the change of mandatory application date of IFRS 9 have had implications for the many consequential amendments to other standards and have created difficulties from the perspective of maintaining Australian Accounting Standards; and
- (d) the time by which some completed IFRSs are incorporated into Australian Accounting Standards may need to be delayed to allow time for further deliberation by the Board where there are issues of particular concern.

In relation to item 7 on investment entities, the Board was informed that amendments to IFRSs are scheduled to be completed by the IASB by the end of the calendar year. The Board noted that there may be a need to allow time for further deliberation by the Board once the relevant IFRS amendments are issued to deal with issues of particular concern.



In relation to item 12 on general hedge accounting, the Board was informed that the IASB's intention is to amend IFRS 9 by the end of the calendar year. The Board agreed to consider the impact on timing for the issuance of an Australian Accounting Standard on general hedge accounting, and its early application at its next meeting. This is in the context that the IFRS 9 general hedge accounting amendments would be applicable prospectively (with some exceptions) with entities being required to meet certain documentation, designation and effectiveness testing requirements prior to applying the amendments.

Staff noted that there may be implications of the Board's discussion on the timing of incorporating IFRSs into Australian Accounting Standards for the AASB's current policies identified in (a) immediately above.

Action: Staff

## **IFRS Interpretations Committee**

### Agenda Item 4

The Board had before it a memorandum from Natalie Batsakis and Nikole Gyles dated 21 August 2012 re IFRS Interpretations Committee update and staff outreach requests (agenda paper 4.1).

Staff provided an update on recent IFRS Interpretations Committee staff outreach requests responded to by AASB staff since the July 2012 AASB meeting. No decisions were made.

## **Emerging Issues**

### Agenda Item 5

#### ***Implications of Changes to Circumstances under which Dividends can be Franked***

The Board had before it a memorandum from Nikole Gyles dated 21 August 2012 re Emerging Issue – Accounting Implications of TR 2012/5 *Income tax: section 254T of the Corporations Act 2001 and the assessment and franking of dividends paid from 28 June 2010* (agenda paper 5.1).

The Board considered the financial reporting implications of the Taxation Ruling and noted that the requirements are not inconsistent with Australian Accounting Standards.

The Board expressed the view that it would be desirable for it to be informed and consulted on issues in the early stages of developing Taxation Rulings that might have implications for financial reporting, to help ensure there are no unintended (financial reporting) consequences. To this end the Board asked staff to continue following-up the issue with relevant Australian Taxation Office staff through the regular liaison meetings and, if necessary, express the Board's view in a letter to the relevant personnel.

Action: Staff



### ***Use of Special Purpose Financial Statements for Taxation of Financial Arrangements***

The Board considered the implications of the use of Special Purpose Financial Statements (SPFSs) for Taxation of Financial Arrangements (TOFA) purposes. The Board was informed that entities producing SPFSs may not be permitted to apply certain TOFA taxation treatments on the basis that the financial statements are not General Purpose Financial Statements (GPFSSs), even in cases when they conform to all recognition and measurement requirements in Australian Accounting Standards. The Board requested that AASB staff discuss this issue at the next AASB liaison meeting with Treasury and Australian Taxation Office staff.

Action: Staff

### ***AASB 10 Deferral for Not-for-Profit Entities***

The Board had before it a memorandum from Clark Anstis dated 24 August 2012 (agenda paper 5.2) concerning whether to defer the mandatory application of the new and revised Standards AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* by not-for-profit entities from 1 January 2013 to 1 January 2014.

The Board decided to defer the mandatory application date of AASB 10, AASB 11, AASB 12, AASB 127 and AASB 128 for NFP entities from 1 January 2013 to 1 January 2014. The deferral will be included in an amending Standard that will also address the IASB's recent amendments to the transition requirements in those Standards.

The Board also decided that the existing prohibition on early application of the Standards by NFP entities will not be extended beyond the present limit of annual reporting periods beginning before 1 January 2013. Therefore, NFP entities will be able to apply the Standards early to annual reporting periods beginning on or after 1 January 2013 but before 1 January 2014 (such as the 2013/14 financial year). The Board noted NFP entities may wish to do this in order to maintain IFRS compliance, even before the amendments expected to arise from the Board's ED proposing NFP entity implementation guidance have been finalised.

The Board noted that the ED proposing Australian NFP entity implementation guidance for inclusion in AASB 10 is expected to be issued before the end of this year.

Action: Staff

### ***Other Issues***

In addition to the above issues included on the agenda, Board members raised some other emerging issues, including:

- application of AASB 10 *Consolidated Financial Statements* to unit-linked funds in the insurance industry in the context of AASB 1038 *Life Insurance Contracts* requirements relating to consolidations. The Board asked staff to prepare a paper on this issue for consideration at a future meeting;



- AASB 9 deferral – The Board received a report from staff on the drafting of the Australian amending Standard that will defer the mandatory application date of AASB 9 *Financial Instruments* and its consequential amendments to other Standards from 1 January 2013 to 1 January 2015, in line with the deferral of IFRS 9 by the IASB. The Standard will also add transition disclosures to AASB 7 *Financial Instruments: Disclosures*. The Board anticipated making the Standard shortly;
- questions about the application of the definition of ‘business’ in the extractive industry;
- questions about the definition of ‘government’, as referred to in AASB 119 *Employee Benefits* for the purposes of determining the appropriate discount rate; and
- in the context of annual improvements, questions about ‘sufficient future taxable profit’ when assessing deferred tax assets relating to current temporary differences under the Minerals Resource Rent Tax.

Action: Staff

#### Agenda Item 6

Those members of the Board participating in the ‘Dropbox’ trial advised that the amended file name protocol worked very well. The Board did not have any substantive comments other than those reflected in relevant items in these minutes.

### Investment Entities

#### Agenda Item 7

The Board had before it:

- a memorandum from Natalie Batsakis and Angus Thomson dated 17 August 2012 (agenda paper 7.1);
- staff paper: Update on IASB/FASB redeliberations and AASB staff comments (agenda paper 7.2);
- IASB Update* – July 2012 (agenda paper 7.3);
- staff paper: Australian reporting entities likely to be classified as ‘investment entities’ (agenda paper 7.4);
- staff paper: Sundry issues on investment entity accounting raised with IASB staff [Confidential: Board only] (agenda paper 7.5);
- a memorandum from Angus Thomson and Natalie Batsakis dated 24 August 2012 [Confidential: Board only] (agenda paper 7.6); and
- staff paper: Identification of an investment entity – proposed approach (tabled agenda paper 7.7).

The Board:

- considered the key outcomes of the IASB’s redeliberations of its Investment Entities project and noted that there is a pre-ballot draft of an amending IFRS that has been made available to national standards setters;





- (b) considered the types of Australian entities that would be impacted by the proposals; and
- (c) discussed the AASB's next steps for determining the suitability of incorporating the forthcoming amendments into Australian Accounting Standards.

Board members noted the following:

- the amendments would be an exemption from consolidation and equity accounting and would not impact the measurement of other investments that are not controlled, jointly controlled or significantly influenced, as these would continue to be determined in accordance with AASB 9 *Financial Instruments*;
- the amendments would not have the same impact as US GAAP or current Canadian GAAP on investment entities (although convergence with these GAAPs was one of the original reasons for proposing the exemptions);
- the process of identifying whether an entity is an investment entity is a three step process that requires an entity to:
  - (i) meet the definition of an investment entity;
  - (ii) possess the essential features in its business model; and
  - (iii) consider the typical characteristics (not meeting one or more characteristics does not preclude an entity from being an investment entity, but triggers disclosure requirements).
- a parent entity that is not an investment entity, must still equity account investments that are controlled, jointly controlled or significantly influenced, even if held through an investment entity subsidiary – therefore flow-on accounting up to the parent would not be permitted;
- the IASB staff timetable schedules the release of the final amendments for the end of September 2012; and
- the initial application of the requirements would be required to be applied retrospectively, even if the entity did not meet the definition of an investment entity in the preceding reporting year.

The Board expressed concerns about the types of entities that would fall within the definition of an investment entity, the information that would be lost on applying the amendments (resulting in deconsolidation/non-consolidation of an investee subsidiary) and the mixed measurements that could result (both within the investment entity for investments held and between the investment entity and its non-investment entity parent).

The Board directed staff to continue researching the types of entities that might be affected (especially in the public sector) and to provide a paper outlining any significant developments in the drafting of the amendments. The Board decided that, at its next meeting, it would consider a staff paper that outlines the options available to it in respect of issuing the amendments, together with an analysis of the advantages and disadvantages of each option and staff recommendations for Board members to consider.

The Board noted that the options presented should include:





- (a) adopting the amendments as promulgated by the IASB;
- (b) adopting the amendments with additional disclosure requirements; and
- (c) not adopting the amendments.

Refer also to item 3 'other business' where the Board noted its Policy on the timing of incorporating IFRSs into Australian Accounting Standards

Action: Staff

## **IFRS Developments**

### Agenda Item 8

Ian Mackintosh, IASB Vice-Chairman and gave an update on IFRS developments. His update included an outline of progress on the IASB/FASB 'convergence' projects (leases, revenue, insurance and financial instruments), which have been targeted for completion by June 2013 with operative dates of 1 January 2015. He also discussed the IASB's strategy, including work on current projects, post implementation reviews, an increased focus on research and priority for concepts and a disclosure framework. In addition, he discussed relationships with national standard setters, regional groups, IPSASB and others.

## **Superannuation Entities**

### Agenda Item 9

The Board had before it:

- (a) a memorandum from Angus Thomson and Daisy Yang dated 21 August 2012 (agenda paper 9.1);
- (b) staff paper: Key issues on public sector defined benefit superannuation arrangements (agenda paper 9.2); and
- (c) staff paper: Measuring accrued defined benefits in superannuation entity financial statements (agenda paper 9.3).

The Board noted it had completed considering the issues identified in the collation of comments on ED 223 *Superannuation Entities* at its June and July 2012 meetings and has progressed to considering more detail on key aspects of some of those issues.

### *Public sector defined benefit superannuation arrangements*

In relation to public sector defined benefit superannuation arrangements, the Board discussed whether the definition of 'superannuation plan' should incorporate some of the more general language about superannuation arrangements currently in AAS 25 *Financial Reporting by Superannuation Plans*, in particular, in the context of there being assets designated to meet unfunded defined benefit obligations that are not held directly by a superannuation entity. The Board decided to retain the ED 223 definition of 'superannuation plan' on the basis that it covers all relevant plans for general financial reporting purposes under the current regulatory framework and has been accepted as an appropriate definition in the context of both ED 179 *Superannuation Plans and Approved Deposit Funds* and ED 223.



In light of the staff research on public sector defined benefit superannuation arrangements, the Board also decided that more discussion should be included in the replacement standard about its deliberations on the circumstances in which an asset in the nature of a right of a superannuation entity to receive resources might be recognisable. The Board noted that:

- (a) there might be contractual or other similar circumstances in which a right to designated resources that are not held directly by a superannuation entity and/or draw on the resources of another entity could be recognised as assets of the superannuation entity; and
- (b) consistent with Australian Accounting Standards and the Conceptual Framework, an enforceable existing right to demand the relevant resources by the time they are needed would be crucial to recognising such assets.

The Board agreed that staff should use their best endeavours to obtain information from each of the Australian government jurisdictions not yet contacted to help ensure there is an opportunity to know about the nature of each of the relevant substantive public sector defined benefit arrangements.

#### *Measuring accrued defined benefits*

In relation to measuring accrued defined benefits, the Board decided that:

- (a) accrued defined benefits should be determined independently of any existing plan assets and/or any existing funding arrangements;
- (b) best estimates of cash flows should be used and, accordingly, relevant risks reflected in projected cash flows
- (c) should not be reflected in the discount rate; and
- (d) accrued defined benefit measurement should focus on the characteristics of the liability itself and is not based on a fair value model and therefore own credit risk would not be relevant to the measurement.

#### *Forthcoming meetings*

The Board noted that it would receive further papers for consideration on rights to receive resources and on measuring defined benefit liabilities at its next meeting.

The Board also noted that it may be appropriate to conduct a discussion at a future Board meeting on issues connected with measuring defined benefit liabilities with one or two actuaries practising in the superannuation industry.

Action:

Staff



## IPSASB CP – Public Sector Combinations

### Agenda Item 10

The Board had before it:

- (a) a memorandum from Nikole Gyles dated 21 August 2012 re IPSASB *Consultation Paper – Public Sector Combinations* (agenda paper 10.1);
- (b) AASB Staff Issues Paper – IPSASB Consultation Paper *Public Sector Combinations* (agenda paper 10.2); and
- (c) IPSASB Consultation Paper *Public Sector Combinations* (June 2012) (agenda paper 10.3).

The Board considered the agenda papers and decided to make a submission. The Board discussed the broad nature of the comments to be made, including:

- (a) expressing disagreement with the IPSASB's apparent intention not to proceed with adapting IFRS 3 *Business Combinations*, where appropriate, for the public sector;
- (b) suggesting the IPSASB not address the accounting by transferors, to help keep its project focused;
- (c) noting that treating combinations of public sector entities not under common control as acquisitions is likely to address most financial reporting issues that arise in such circumstances;
- (d) encouraging the IPSASB to undertake further research into combinations of public sector entities under common control, particularly if the IASB is not expected to address related private sector issues in a timely manner. The IPSASB should also be encouraged to approach the IASB with a view to identifying how the two Boards could work together on the issues. However, the IPSASB should not delay its work if the IASB is not yet ready to proceed. If the IPSASB finds that pursuing common control issues slows down its consideration of non-common control issues, it should consider dividing the project into two separate projects;
- (e) in relation to specific matter for comment 3 on public sector characteristics pertinent to control, the implication in the consultation paper that no goodwill typically arises ignores the fact that many public sector combinations result in the deferral of cash outflows. It is inappropriate to imply that no asset is created when two entities are combined, because it raises the question of why the two entities combined;
- (f) in relation to specific matter for comment 4 on measurement in non-common control scenarios, fair value measurement of the identifiable assets acquired and liabilities assumed in the operation at the date of acquisition is appropriate for all acquisitions. It would be inappropriate to regard consideration as a determining factor when measuring identifiable assets acquired and liabilities assumed;
- (g) in relation to specific matter for comment 5 on accounting for an excess of consideration over net assets acquired in non-common control scenarios, the CP should acknowledge that combinations might involve a non-exchange component, and therefore thought should be given to the relationship



between the IPSASB's work on this project and IPSASB 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)*;

- (h) in relation to specific matter for comment 6 on accounting for the difference that arises in common control scenarios, thought should be given to the implications that the definition of equity in IPSASs is restricted due to its reference to instruments, compared with IFRSs. Also, issues pertinent to this specific matter for comment raise fundamental questions about the nature of entities within government, as to whether they should be regarded as separate/stand-alone entities or segments/disaggregated parts of the government; and
- (i) in relation to specific matter for comment 7 on accounting symmetry between a transferor and recipient, thought should be given to complex groups where there may be a chain of entities and how entities that fall between an ultimate parent and a transferee or transferor may be affected.

The Board decided that the submission should be finalised through the Chairman.

Action: Staff  
Chairman

## **IFRS 8 Operating Segments – post implementation review**

Agenda Item 11

The Board had before it:

- (a) a memorandum from Nikole Gyles dated 21 August 2012 re Post-implementation review of IFRS 8 *Operating Segments* – Request for Information (agenda paper 11.1); and
- (b) IASB Request for Information *Post-implementation Review: IFRS 8 Operating Segments* (agenda paper 11.2).

Staff provided an update on the IASB's post-implementation review. The Board was advised that staff will be hosting an IASB Discussion Forum on the post-implementation review on 3 October 2012. The Discussion Forum will be attended by IASB staff via video-conference.

The Board decided the AASB's response to the IASB's Request for Information would include an analysis of comments received from Australian constituents and, if appropriate, suggestions for improvements to IFRS 8.

The Board agreed with the staff's suggested project plan for developing the AASB's response, which was outlined in agenda paper 11.1.

Action: Staff

## **Financial Instruments**

Agenda Item 12

The Board had before it a memorandum from Christina Ng and Sue Lightfoot dated 21 August 2012 (agenda paper 12.1).



The Board noted that on 7 September 2012 the IASB staff draft standard on general hedge accounting is expected to be made available on the IASB website for 90 days.

The Board received an update on the FASB's progress on its alternative impairment model for financial assets measured at amortised cost and at fair value through other comprehensive income. The IASB is expected to discuss that model at its September 2012 meeting. The FASB's model would involve recognising a lifetime loss allowance based on expected losses on initial recognition, which may result in recognition of more losses on 'day one' than the 'three-bucket' impairment model being progressed by the IASB. Unlike the IASB's model, the FASB's model would not require financial assets to be categorised into three 'buckets'.

Action: Staff

Refer also to item 3 'other business' where the Board noted its Policy on the timing of incorporating IFRSs into Australian Accounting Standards.

## **Service Concession Arrangements - Grantor**

Agenda Item 13

The Board had before it:

- (a) a memorandum from Christina Ng and Frank Traczewski dated 21 August 2012 (agenda paper 13.1); and
- (b) a staff issues paper relating to the impact of third-party regulation on the assessment of control of a service concession asset by a grantor (agenda paper 13.2).

Consistent with its earlier decision to develop an ED based on IPSAS 32 *Service Concession Arrangements: Grantor*, the Board continued its consideration of how IPSAS 32 should be modified to suit the Australian environment. In particular, the Board considered the need for additional guidance on whether a grantor controls a service concession asset in circumstances in which a third-party regulator is involved. The Board noted that, depending on the terms of an arrangement, there could be different levels of regulation. Furthermore, a binding arrangement that includes the role of a regulator in regulating the services the operator must provide with the asset, to whom the operator must provide them, or at what price is not the only deciding factor as to whether the grantor has control of the service concession asset.

Accordingly, the Board decided to include guidance in the ED emphasising that the fundamental principle is 'control', and that regulation of a service concession asset is only one of the factors to consider in determining whether the grantor controls the asset in particular circumstances. Consistent with the Board's thinking, the ED to be developed should avoid implying that an asset is controlled because it is regulated. Furthermore, because the NFP Implementation Guidance being developed for AASB 10 *Consolidated Financial Statements* refers to regulation in a different context to the issues pertinent to service concession arrangements, care needs to be taken in adapting that NFP guidance in this project.



The Board plans to consider, at a future meeting, a further issues paper on whether the granting of a right to an operator to charge users of a service concession asset gives rise to the initial recognition of a liability (as required by IPSAS 32) or revenue (as proposed in IASB ED/2011/6 *Revenue from Contracts with Customers*) of the grantor, having regard to the IASB's redeliberations on the proposals in IASB ED/2011/6. The paper will also address measurement issues.

Action: Staff

## Comprehensive Review of the IFRS for SMEs

### Agenda Item 14

The Board had before it:

- (a) a memorandum from Ahmad Hamidi dated 21 August 2012 (agenda paper 14.1);
- (b) staff paper "Possible Australian-specific issues relevant to the first review of the *IFRS for SMEs*" (Agenda paper 14.2); and
- (c) the IASB's Request for Information, *Comprehensive Review of the IFRS for SMEs* (Agenda paper 14.3).

The Board considered the issues raised in the staff paper on the IASB's Request for Information. The Board noted that, having created and maintained the reduced disclosure requirements (RDR) regime on the basis of disclosure principles underlying the *IFRS for SMEs*, Australia is in a unique position to contribute to the review of the standard. The Board agreed that the submission should separately highlight a number of key issues relevant to the review as proposed in the staff paper, including:

- (a) differences between the recognition/measurement requirements of the *IFRS for SMEs* and full IFRSs, which is the area of most concern; in particular, the absence of the revaluation accounting policy option from the *IFRS for SMEs*;
- (b) the benefits of having an option to use either a RDR approach or the *IFRS for SMEs*;
- (c) the benefits of maintaining the *IFRS for SMEs* contemporaneously with full IFRSs;
- (d) the need to clarify and expand on the term 'public accountability' and the adverse effect on the IFRS 'brand' if jurisdictions were able to permit small publicly accountable entities to apply *IFRS for SMEs*;
- (e) the New Zealand proposed adoption of a RDR version of NZ IFRS with disclosures aligned with the Australian RDR;
- (f) the issue of dealing with financial reporting by micro entities, if it is to occur at all, should be a matter for individual jurisdictions rather than the IASB;
- (g) the desirability of greater involvement by the IASB in the process of determining requirements under the *IFRS for SMEs*; and
- (h) the importance of addressing disclosure requirements at a principle level, rather than at an individual standard level, to further reduce certain types of disclosures for SMEs such as reconciliations.

The Board also decided to offer its experience in determining disclosure requirements under the RDR, including providing access to the latest compilations of the RDR versions of standards, with a view to contributing to the IASB's comprehensive review process.



The Board noted that any consideration of the possibility of adopting the *IFRS for SMEs* in Australia should await the completion of the review and the publication of the revised *IFRS for SMEs*.

The Board will consider other issues pertinent to the review of the *IFRS for SMEs* at its next meeting.

Action: Staff

## **IPSASB CP – 2013-2014 Work Program**

### Agenda Item 15

The Board had before it a memorandum from Clark Anstis dated 21 August 2012 (agenda paper 15.1) requesting that the Board review the Consultation Paper, *Consultation on IPSASB Work Program 2013-2014* (July 2012) issued by the International Public Sector Accounting Standards Board (IPSASB) and give directions to staff on issues and views that the Board wished to address in a submission (if any) to the IPSASB.

The Board considered the IPSASB CP and decided to make a submission. The Board discussed the broad nature of the comments to be made, including:

- (a) given the size of the IPSASB's task relating to its Conceptual Framework project, the IPSASB would be likely to have only a limited capacity to undertake major new projects during the two-year window being considered;
- (b) it is important for the IPSASB to keep up with IFRSs, particularly because many governments undertake both not-for-profit and for-profit activities. To this end, the IPSASB could consider simplifying its processes for reviewing its standards in response to amendments to IFRSs; and
- (c) two particular projects that are in urgent need of attention and for which significant progress could be made during the two-year window are revenue recognition and accounting for emission trading schemes.

The Board appointed a sub-committee comprising the Chairman, Ian McPhee, John O'Grady and Robert Williams to finalise the submission.

Action: Staff  
Sub-committee

## **AASB 1049 – Extending the Transitional Period for Fair Value Measurement of Defence Weapons Platforms**

### Agenda Item 16

The Board had before it:

- (a) a memorandum from Shu In Oei dated 20 August 2012 (agenda paper 16.1);
- (b) a letter from the Commonwealth Department of Finance and Deregulation to the AASB Chairman dated 3 August 2012 (agenda paper 16.2); and





- (c) AASB Chairman's letter to CFO of Department of Defence dated 24 February 2012 (agenda paper 16.3).

The Board considered a request from the Commonwealth Department of Finance and Deregulation (DoFD) (agenda paper 16.2), and staff analysis of that request (agenda paper 16.1), for deferral of the requirement to measure defence weapons platforms (DWPs) at fair value under AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. That requirement was brought about by the interrelationship between AASB 1049 and Chapter 2 of the ABS's *Amendments to Australian System of Government Finance Statistics* (issued 5 April 2011).

Staff informed the Board that paragraph 6 of agenda paper 16.1 had inadvertently overlooked paragraph 17 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, which does not require comparatives to be presented for the initial application of a policy to revalue assets that are within the scope of AASB 116 *Property, Plant and Equipment*.

Despite the seemingly less onerous nature of the impact of Chapter 2 of the ABS amendments (due to there being no requirement for comparatives), the Board noted that the substantial practical issues relating to the reliable measurement of DWPs at fair value would mean that the impact would still be onerous. Accordingly, the Board decided to propose deferral of the requirement to fair value DWPs for a further 2 years. However, the Board considered it would not be appropriate to give effect to the deferral by reference to the specific asset class of DWPs, which is relevant only to one preparer (i.e. the Australian Government reporting entity). The Board noted that such an approach would necessitate a definition of DWPs to be included in AASB 1049, and if that were to be the case, the reference to 'military aircraft' in the proposed example to accompany the draft definition of DWPs provided in agenda paper 16.1 (based on the GFS definition and examples of DWPs) would more correctly be 'combat aircraft'. In any event, consistent with the Board's principles-based standard setting approach, the Board noted that definitions ideally do not include examples.

On this basis, the Board decided to propose the further 2-year transitional relief through an amendment to AASB 1049 that refers to the application of Chapter 2 of the ABS amendments – that is, deferral of the effective date from annual reporting periods beginning on or after 1 July 2012 to annual reporting periods beginning on or after 1 July 2014 (One Board Member, Ian McPhee, abstained from voting on this issue due to his role as the Auditor-General of the Commonwealth Government, and the significance of the issue to that Government – being the only government affected by the issue). The Board considered that this further extension would be sufficient and therefore would not expect it to be necessary to provide further relief in relation to DWPs in the future.

Given the narrow nature of the issue, the Board decided to issue an ED with a 45-day comment period by mid-October 2012. To achieve this, a draft ED will be distributed to Board members out-of-session for voting shortly. The Board expects to consider comments received on the proposals in the ED and a draft Amending Standard for the extension of transitional relief at the same time at its December 2012 meeting.

Action:

Staff

Board Members



## **Close of Meeting**

The Chairman closed the meeting at approximately 12.00 p.m. on Thursday 6 September 2012.

## **Approval**

Signed by the Chairman as a correct record  
this thirty-first day of October 2012