



Issue: Number 140
Date: 10 December 2010
Subject: AASB Meeting 113, 8-9 December 2010

Trans-Tasman Convergence

The Board considered sweep issues relating to the draft amending Standard and the draft Standard *Australian Additional Disclosures* and:

- (a) expressed a preference to locate the additional domestic disclosures in a separate disclosure Standard rather than locate them in topic-based Standards;
- (b) decided to incorporate the notion of 'network firm' in the audit fee disclosure requirements and to clarify that an entity is required to disclose fees to each auditor, including any network firm, separately for (i) the audit or review work; and (ii) all other services performed during the reporting period;
- (c) decided to amend the draft Basis for Conclusions regarding the 'true and fair override' to note that draft paragraph Aus19.1 of AASB 101 *Presentation of Financial Statements*, which would prohibit not-for-profit entities from using the 'override', has a wider application than the NZ Financial Reporting Act 1993, which does not apply to all public benefit entities;
- (d) decided to inform the Corporations and Markets Advisory Committee that it has decided to remove the individual key management personnel disclosure requirements from AASB 124 *Related Party Disclosures* in the interest of harmonising with the IASB and the FRSB; and
- (e) decided to require Tier 2 entities to only make the disclosures required by the separate disclosure Standard that are currently required under the Reduced Disclosure Requirements (RDR). The Board directed staff to draft an additional amending Standard for these RDR implications, with a view to approving all three Standards in early 2011.

The Board also considered a draft letter received from the Chairman of the NZ ASRB setting out tentative decisions, made in conjunction with the NZ FRSB, for convergence of Tier 2 general purpose financial reporting requirements applicable to for-profit entities in Australia and NZ. The AASB noted that the FRSB is expected to issue a consultation paper in the first quarter of 2011 seeking comments from its constituents on a proposal to converge with the Australian RDR.

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The AASB welcomed the NZ tentative decisions and decided to inform the ASRB that a common approach to determining Tier 2 requirements for for-profit entities is consistent with the AASB's current mode of operation and its objectives. The AASB also regards RDR convergence as a significant step in implementing the Outcome Proposals for developing cross-border economic initiatives relating to a Joint Statement of Intent signed by the Prime Ministers of Australia and NZ in August 2009.

Superannuation Plans and Approved Deposit Funds (ADFs)

The Board continued its redeliberations on ED 179 *Superannuation Plans and Approved Deposit Funds* for the purpose of determining proposals to include in a revised ED of the replacement Standard for AAS 25 *Financial Reporting by Superannuation Plans*.

The Board tentatively decided that the revised ED should:

- (a) include a comment in the Basis for Conclusions that a superannuation plan or ADF would apply AASB 1031 *Materiality* in deciding whether it is necessary to present a statement of changes in equity;
- (b) propose to require a plan or ADF to provide disaggregated financial disclosures in accordance with AASB 8 *Operating Segments*, except where it is appropriate to modify the requirements for application in a superannuation context. The proposed exceptions include that a plan or ADF would:
 - (i) disclose separately information about a segment that meets any of the quantitative thresholds in paragraph 13 of AASB 8 or has liabilities that are 10% or more of the total liabilities of all segments;
 - (ii) provide reconciliations of the disaggregated disclosures and corresponding amounts at the entity level; and
 - (iii) not be required to apply paragraphs 31-34 of AASB 8; and
- (c) propose a two-year transition period from the date the replacement Standard is made, with early adoption permitted. The Board also confirmed its previous tentative decision that the replacement Standard should be applied retrospectively when it is first adopted.

In addition, the Board tentatively decided that the revised ED should ask constituents whether there are any plans or ADFs that would meet the criteria in AASB 1053 *Application of Tiers of Australian Accounting Standards* for applying Tier 2 reporting requirements (rather than include a supplement setting out proposed Tier 2 disclosure requirements under the replacement Standard).

A sub-committee of Board members will review a draft revised ED prior to final deliberation by the Board and a four-month exposure period. The Board expects to publish the revised ED in early 2011.

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Income from Non-Exchange Transactions

The Board continued its redeliberations of proposals in AASB ED 180/FRSB ED 118 *Income from Non-exchange Transactions (Taxes and Transfers)* for identifying liabilities of NFPs arising as recipients of assets in non-exchange transactions.

The Board considered the ED's proposed treatment of 'advance receipts' (resources received prior to a taxable event occurring or a transfer arrangement becoming binding), having regard to the submissions received on that ED. The Board confirmed its decision that 'advance receipts' give rise to liabilities. The nature of such a liability is an unconditional obligation to stand ready to return transferred assets if the expected taxable event does not occur or the transfer arrangement does not become binding.

At future meetings, the Board will consider:

- (a) whether it is necessary to distinguish 'advance receipts' from other return obligations; and
- (b) measurement issues in relation to liabilities arising from non-exchange transactions.

Control in the Not-for-Profit (NFP) Public and Private Sectors

The Board noted that the IASB expects to issue IFRS 10 *Consolidated Financial Statements* in the first quarter of 2011, with an expected effective date of 1 January 2013 (with early adoption allowed). IFRS 10 will replace the consolidation requirements in IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation – Special Purpose Entities*.

The Board decided to issue AASB 10 (incorporating IFRS 10) as soon as possible after IFRS 10 is issued, but with early adoption by NFP entities not permitted until the Board has addressed relevant NFP sector issues.

The Board considered the approach it would take to modifying IFRS 10 to address NFP sector issues. In particular, the Board considered a revised draft of the AASB/FRSB Joint Project Plan, comprising a number of phases. The Board decided the Plan should reflect its aspiration to issue a Standard by December 2011 (which would represent the completion of Phase 2 of the project) after following a full due process that addresses as many potential application issues identified in Phase 1 as possible and appropriate. The Board noted that this timeframe would provide entities with sufficient time to prepare for adopting any new requirements before the expected effective date.

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The Board also noted that:

- (a) its ability to meet the timeframe would depend on the number and nature of the issues to be addressed; and
- (b) it is conceivable that some issues might lead the Board to consider whether some of the principles in IFRS 10 are suitable in a NFP sector context. In that regard, the Board decided that, as the project progresses, it would consider whether there are any issues with solutions that might conflict with the principles in IFRS 10 and whether those issues should be resolved in Phase 2 or deferred to a later phase.

IPSASB Report

The Board received an update on the November 2010 meeting of the IPSASB from Tim Youngberry, the Australian member of IPSASB. The Board noted that the IPSASB continued its discussion of potential changes to its governance arrangements and intends to issue a Consultation Paper in 2011.

The IPSASB has continued to give priority to its conceptual framework project, with the following consultative documents expected to be issued in December:

- (a) Exposure Draft on phase 1 – role and authority of the Framework, scope, objectives and users, qualitative characteristics and reporting entity;
- (b) Consultation Paper on phase 2 – elements and recognition; and
- (c) Consultation Paper on phase 3 – measurement of assets and liabilities.

The comment period for these is expected to conclude on 30 June 2011.

The IPSASB also discussed at its November meeting issues concerning presentation and disclosure (phase 4 of the conceptual framework project), service concession arrangements (grantors), long-term fiscal sustainability reporting and service performance reporting. A revised and expanded project brief was approved in relation to entity combinations.

IPSASB Conceptual Framework

The Board received an education session on the principles expected to be proposed in the IPSASB's imminent ED on phase 1 of its conceptual framework project and its imminent Consultation Papers on 'Elements and Recognition' and 'Measurement of Assets and Liabilities in Financial Statements'. No decisions were made.

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AASB Conceptual Framework – Objective and Qualitative Characteristics

The Board discussed a further draft of a revised AASB Conceptual Framework incorporating the two new chapters of the IASB Conceptual Framework dealing with the 'Objective of General Purpose Financial Reporting' and the 'Qualitative Characteristics of Useful Financial Information'. The Board decided to:

- (a) issue as soon as possible a revised AASB Framework applicable to for-profit entities that is identical to the revised IASB Framework;
- (b) for the time being, retain the existing text of the AASB Framework (including its 'Aus' paragraphs) for application by NFP entities; and
- (c) in due course, develop material for NFP entities for incorporation into the revised AASB Conceptual Framework, based on the revised IASB Framework. In developing the NFP material, the AASB would consider in detail the IPSASB's Conceptual Framework Consultation Papers and Exposure Draft expected to be issued in December 2010.

The Board also decided to retain Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity*, given the references to 'reporting entity' in the application paragraphs of Australian Accounting Standards.

The Board will vote out of session on its revised Conceptual Framework.

Financial Instruments – Hedge Accounting

The Board received an education session on the IASB's tentative proposals on the revised general hedge accounting model and discussed the impact of the tentative proposals on various types of hedging activities. No decisions were made. The IASB published its Exposure Draft ED/2010/13 *Hedge Accounting* on its revised general hedge accounting model this morning.

Effective Dates and Transition Methods

The Board considered issues to be included in its submission on the IASB's *Request for Views on Effective Dates and Transition Methods* (open for comment to the IASB until 31 January 2011) – which is the subject of AASB ITC 24, open for comment to the AASB until 31 December 2010. Any submissions received on ITC 24 will be distributed to AASB members for out-of-session consideration prior to the AASB submission being finalised.

In the absence of any submissions on ITC 24 to date, the Board decided to express a view that, assuming all the projects that are the subject of the Request for Views are completed by June 2011, they should all have

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a common effective date of 1 January 2014, to give preparers sufficient time to prepare for adoption. Early adoption should be allowed on an individual IFRS basis, unless different IFRSs give rise to cross-cutting issues. Cross-cutting issues could mean that certain IFRSs should not be adopted before other IFRSs (e.g. the revised IFRS on leases should not be adopted before the revised IFRS on revenue).

IFRS Foundation Trustees' Strategy Review

The Board considered its response to the questions, in the IFRS Foundation's Paper for Public Consultation *Status of Trustees' Strategy Review*, that are particularly relevant to its role as a standard setter. The Paper is open for comment to the IFRS Foundation until 24 February 2011. The Board decided that its submission should include comments that:

- (a) standard setting would benefit from taking a more holistic perspective, for example, by broadening the reading of the 'world's capital markets' to include markets for government debt and by aspiring to a single conceptual framework for both the for-profit and NFP sectors;
- (b) oversight and funding of standard setting (through the Trustees) should be kept separate from the technical aspects of standard setting (through the IASB); and
- (c) relative to convergence with the US, there should be a greater focus on assisting jurisdictions transitioning to IFRSs. However, this should not be at the expense of the quality of Standards. For example, longer comment periods for commenting on proposals should be provided to help ensure that proposals are thoroughly debated and tested.

IFRS Interpretations Committee Review Questionnaire

The Board decided that, in addition to completing the IFRS Interpretations Committee Review questionnaire (open for comment to the IFRS Foundation until 31 January 2011), it would write to the IFRS Foundation saying that, although the existing process seems to be functioning reasonably well:

- (a) it is concerned about the consistency of the basis used for determining which topics are added to the IFRS Interpretations Committee's agenda and which topics are rejected; and
- (b) the role of the IFRS Interpretations Committee in reviewing proposed improvements to IFRSs and making recommendations to the IASB as part of the Annual Improvements project is its most effective role.

IMF Review of GFS

The Board noted the IMF is undertaking a review of the *Government Finance Statistics Manual 2001 (GFSM 2001)* and that the ABS is coordinating an Australian response. The Board also noted that the

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primary purpose of the review is to converge *GFSM 2001* with the *2008 System of National Accounts*, and therefore there is likely to be only a limited opportunity to advance the cause of GAAP/GFS harmonisation.

Within the constraints of the Board's higher priorities, the Board directed staff to monitor and respond to the ABS on any consultation papers issued by the ABS in relation to the review. The Board also formed a sub-committee to provide the AASB staff with direction in relation to any substantive issues that may arise during the review.

Retirements from the AASB

The December 2010 meeting was the last meeting for Frank Palmer and Bruce Porter, who will retire from the Board on 31 December 2010. The Chairman thanked them for their significant contribution to the Board's work.

Minutes

The Board approved the minutes of Meeting 112, held on 27 – 28 October 2010. These are now available on the website.

Documents Open for Comment

The following documents are open for comment.

AASB submissions to the IASB, IFRS Interpretations Committee, IFRS Foundation or IPSASB are published on the AASB website.

Originating Organisation	Topic	AASB No.	AASB Due Date	Other Organisation Due Date
IASB	Leases	ED 202R	Closed	15 Dec 2010
IASB	Request for Views on Effective Dates and Transition Methods	ITC 24	31 Dec 2010	31 Jan 2011
AASB	Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation	ED 205	12 Jan 2011	-
AASB	ED – Tier 2 Supplement to ED 198 Revenue from Contracts with Customers	ED 198 Supp	31 Jan 2011	-
AASB	ED – Tier 2 Supplement to ED 202R Leases	ED 202R Supp	31 Jan 2011	-

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Originating Organisation	Topic	AASB No.	AASB Due Date	Other Organisation Due Date
AASB	ED – Tier 2 Supplement to ED 204 Deferred Tax: Recovery of Underlying Assets	ED 204 Supp	31 Jan 2011	-
IFRS Foundation	IFRS Interpretations Committee Review Questionnaire	-	-	31 Jan 2011
IFRS Foundation	Consultation Document – Status of Trustees’ Strategy Review	-	-	24 Feb 2011

Next Meeting on 9-10 February 2011

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

- Financial Instruments
- AASB Conceptual Framework (NFP aspects)
- IPSASB Conceptual Framework
- Income from Non-Exchange Transactions
- Management Commentary
- Consolidation
- Related Parties in the NFP Public Sector
- Audit Update (by Merran Kelsall – AUASB Chair)

2011 Meeting Dates

The 2011 meeting dates are:

- 9-10 February
- 16-17 March (joint meeting with FRSB, via video conference)
- 27-28 April
- 8-9 June
- 13-14 July
- 14-15 September
- 26-27 October
- 7-8 December

Unless indicated otherwise, meetings are held in Melbourne.

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