



Issue: Number 156
Date: 22 February 2013
Subject: AASB Meeting 129, 20 – 21 February 2013

1. Overview

At this meeting the Board discussed:

- (a) possible policy implications of the results emerging from the research into special purpose financial reporting (see section 2);
- (b) budgetary reporting by not-for-profit (NFP) public sector entities (see section 3);
- (c) implementation guidance for NFP entities in relation to the definition of control in AASB 10 Consolidated Financial Statements (see section 4);
- (d) service concession arrangements: grantor's perspective (see section 5);
- (e) the proposals in IPSASB Consultation Paper IPSASs and *Government Finance Statistics Reporting Guidelines* (see section 6);
- (f) financial reporting by superannuation entities (see section 7);
- (g) the IASB proposals for amendments to standards in relation to depreciation and amortisation, equity accounting and disclosures of recoverable amount (see section 8);
- (h) IASB projects addressing revenue from contracts with customers (see section 9) and financial instruments (see section 10);
- (i) an update on IFRS Interpretations Committee activities (see section 11);
- (j) an update on the Accounting Standards Advisory Forum (see section 12); and
- (k) emerging issues (see section 13).

Recently approved documents are listed in section 14 and documents open for comment are listed in section 15.

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2. Possible Policy Implications of the Results Emerging from the Research into Special Purpose Financial Reporting

The Board held preliminary discussions on the possible policy implications of the results emerging from the research into special purpose financial reporting. The research is raising questions about the application of the reporting entity concept by entities in determining whether they should prepare general purpose financial statements (GPFs); the extent to which different types of entities are lodging GPFs compared with special purpose financial statements (SPFs); and the quality of those respective financial statements in relation to the recognition and measurement requirements of Australian Accounting Standards.

The Board noted that the research findings cast doubt on how well the reporting entity concept is being applied and observed that the findings to date lend support to the proposals in ED 192 *Revised Differential Reporting Framework* that the focus of the application of Australian Accounting Standards should change to GPFs and the meaning of GPFs in the Australian context should be clarified. Noting the research work is still to be finalised, the Board discussed the manner in which it might continue to use the reporting entity concept as the basis for its own deliberations in setting GPFs requirements; and the potential for that concept to be used as a benchmark by other regulators in identifying whether entities should be required to prepare and lodge GPFs.

The Board decided staff should liaise with other regulators, including the Treasury and the Australian Securities and Investments Commission, with a view to coordinating the Board's and other regulators' efforts in dealing with the issues emerging in the research report and potentially transitioning to a more coordinated reporting regime.

The Board will continue its deliberations on the policy implications of the research, including considering the outcome of staff liaison with other regulators, at a future meeting.

3. Budgetary Reporting by NFP Public Sector Entities

The Board considered constituents' comments received on the fatal flaw draft Standard AASB 105X *Budgetary Reporting*, which had been posted on the AASB website for review by 31 January 2013. (No comments were received on the accompanying fatal flaw draft Standard AASB 2012-XX *Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements*.) In response to the comments, the Board decided to make amendments to clarify some of the requirements, including:

- (a) when a reference to revised budgets presented to parliament might be relevant in explaining variances between actual outcomes and the original budget presented to parliament; and

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- (b) the nature of the 'relief' provided when only summarised budgetary information is presented to parliament.

The Board decided to vote on ballot drafts of the two Standards reflecting the decisions made at this meeting shortly.

4. Implementation Guidance for NFP Entities re AASB 10

The Board considered sweep issues in respect of the draft ED of Australian implementation guidance for NFP entities in relation to AASB 10 *Consolidated Financial Statements* and decided:

- (a) further illustration of economic dependence and an investor's commitment to ensure an investee continues in operation is not required, as paragraph B54 of AASB 10 is sufficient;
- (b) limited additional explanation of non-financial returns (benefits) should be added to the ED;
- (c) the guidance should not vary the range of entities required to be consolidated in accordance with AASB 10 for NFP entities. (The Board made this decision after noting the potential departures from IFRS 10 *Consolidated Financial Statements* being considered by the IPSASB, such as an exemption for temporary control, in the IPSASB's project to adopt IFRS 10.);
- (d) the example in the draft ED of an investor having power over an investee it has established should be revised to clarify the effect of involvement in the design of an entity;
- (e) implementation guidance in respect of the definition of 'structured entities' in AASB 12 *Disclosure of Interests in Other Entities* should be developed for inclusion in the ED; and
- (f) in proposing consequential amendments to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, the disclosure requirements in AASB 12 should not apply to the GGS financial statements.

The Board noted the objective of issuing the ED next month and decided the ED should have a three-month comment period.

5. Service Concession Arrangements: Grantor's Perspective

The Board received a progress report on its project considering the modifications that might be made to IPSAS 32 *Service Concession Arrangements: Grantor* to make it suitable for adoption in Australia. In particular, the Board noted the progress made by staff in addressing the question of whether a grantor

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should initially recognise a liability or revenue when it receives a service concession asset from an operator in exchange for a right (that is, a licence) to charge users of the asset. In addition, the Board:

- (a) noted staff had conducted preliminary targeted outreach to ascertain views from Australian constituents on grantor accounting for service concession arrangements in light of the IASB's and the FASB's November 2012 tentative decisions in relation to licences (as part of their joint project on revenue recognition); and
- (b) directed staff to conduct further targeted outreach with Australian constituents based on the near-final wording of the application guidance on licences to be included in the forthcoming IFRS on revenue.

6. IPSASB Consultation Paper: IPSASs and Government Finance Statistics

The Board considered key issues in respect of the IPSASB Consultation Paper *IPSASs and Government Finance Statistics Reporting Guidelines* (October 2012) and decided to make a submission that includes the following points:

- (a) the issues categorised as resolved (in terms of no significant differences between IPSASs and GFS requirements) reflect varying degrees of resolution, but should be based on the alignment of principles rather than practical application alone;
- (b) the IPSASB should consider the development of an XBRL taxonomy in relation to IPSASs in conjunction with guidance on the development of integrated charts of accounts;
- (c) the IPSASB should take a more systematic and conceptual approach to reducing differences between IPSASs and GFS, without emphasising GFS convergence at the expense of IFRS convergence;
- (d) specifying additional fair value disclosures in financial statements for the purpose of addressing a difference in measurement bases might not be an appropriate approach; and
- (e) the IPSASB should consider making IPSAS 22 *Disclosure of Financial Information about the General Government Sector* a mandatory Standard, rather than an optional one, and establish a project to consider amendments to IPSAS 22 that could be made in due course to require governments to adopt accounting policy options in IPSASs that are more closely aligned with GFS requirements.

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7. Superannuation Entities

The Board received an update on recent targeted consultation conducted by staff on selected issues relating to defined benefit liability measurement, disclosures about defined benefit liabilities, and legislative guarantees of defined benefits in the context of public sector superannuation arrangements. The Board discussion focused on:

- (a) the approaches that might be used to obtain accrued benefit measures of defined benefit liabilities; and
- (b) specifically in relation to the various superannuation arrangements in the public sector, the nature and extent of defined benefit liabilities and associated assets.

The Board noted that staff plan to bring sweep issues to the April 2013 meeting for deliberation and, subject to the nature and significance of the issues raised at that meeting, to subsequently prepare a pre-ballot draft of a replacement standard for AAS 25 *Financial Reporting by Superannuation Plans* for the Board's consideration.

8. IASB Proposals for Limited Amendments to IFRSs

Depreciation and amortisation methods

The Board considered key issues to raise in its submission on IASB ED/2012/5 *Clarification of Acceptable Methods of Depreciation and Amortisation*, which proposes to amend IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to prohibit any revenue-based depreciation or amortisation method. The corresponding AASB ED 231 was issued for comment by 1 March 2013. The Board considered the comments received to date on ED 231 and tentatively decided to support the IASB's proposal and to recommend the IASB clarifies its reasons for its proposal in its Basis for Conclusions.

The Board's tentative decisions are subject to change in light of comments received in any future comment letters on ED 231.

Equity method: share of other net asset changes

The Board considered key issues to raise in its submission on IASB ED/2012/3 *Equity Method: Share of Other Net Asset Changes*, which proposes amending IAS 28 *Investments in Associates and Joint Ventures* to require an investor to recognise, in the investor's equity, its share of the changes in the net assets of the investee that are 'other net asset changes'. The Board had regard to comments received on the corresponding AASB ED 228 (which incorporated ED/2012/3) which was open for comment to the AASB by 8 February 2013.

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The Board decided its submission to the IASB should express disagreement with the proposals, for example, consistent with comments received on ED 228, the transactions giving rise to an investee's 'other net asset changes' are not in the nature of an investor's transactions in its own equity.

Impairment – recoverable amount disclosure

The Board considered key issues to raise in its submission on IASB ED/2013/1 *Recoverable Amount Disclosures for Non-Financial Assets*, which proposes amending the disclosure requirements of IAS 36 *Impairment of Assets* in relation to assets for which an impairment loss has been recognised or reversed during the period. The corresponding AASB ED 235 was issued for comment by 28 February 2013.

The Board considered the comments received to date on ED 235, and tentatively decided to broadly support the proposals and to encourage the IASB to consider requiring disclosure of the key assumptions on which management has based its determination of value in use, in relation to paragraph 130(g) of IAS 36.

The Board's tentative decisions are subject to change in light of comments received in any future comment letters on ED 235.

9. Revenue from Contracts with Customers

The Board received an update on the progress made by the IASB and the FASB on their joint project on revenue recognition. The Board noted that the IASB and the FASB are expected to complete their redeliberations on their proposals included in IASB ED/2011/6 *Revenue from Contracts with Customers* at their joint 20 February 2013 meeting. The topics for that meeting include disclosure, transition and the effective date and early adoption of the revenue standard. The Board will continue to monitor the project as the IASB and the FASB finalise the drafting of the revenue standard.

10. Financial Instruments

The Board received an update on the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* with IFRS 9 *Financial Instruments* relating to classification and measurement, impairment and hedge accounting.

Classification and measurement

The Board considered key issues to raise in its submission on IASB ED/2012/4 *Classification and Measurement: Limited Amendments to IFRS 9* (incorporated into the corresponding AASB ED 230, which was open for comment to the AASB by 13 February 2013). The Board considered the comments received on ED 230 and tentatively decided to broadly support the proposals in ED/2012/4, in particular:

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- (a) to broaden the notion of what is 'solely principal and interest' for the contractual cash flow characteristics assessment;
- (b) to introduce a mandatory 'fair value through other comprehensive income' measurement category, subject to the election being available to designate such assets at fair value through profit or loss; and
- (c) to permit the own-credit provisions for financial liabilities to be adopted early without adopting earlier phases of the standard.

Impairment

The Board noted the key aspects of the IASB's tentative 'three bucket' financial asset impairment model and the relevant differences from the FASB's proposed model (which the FASB published as proposed Accounting Standards Update *Financial Instruments-Credit Losses* in December 2012). The Board noted the different conceptual and operational aspects of each of the proposed impairment models.

The Board noted the IASB is targeting issuance of a revised ED on its impairment model in March 2013.

The Board decided there were no issues that ought to be raised with the IASB at this stage.

Hedge accounting

The Board noted the IASB had tentatively decided to expand the 'cost of hedging' approach to include foreign currency basis risk. The Board also noted the Chairman and some Australian constituents had written to the IASB late last year highlighting the significance of this issue in Australia.

Furthermore, the Board noted the IFRS 9 chapter on general hedge accounting is now expected to be issued in the second quarter of 2013.

The Board decided there were no issues that ought to be raised with the IASB at this stage.

11. IFRS Interpretations Committee

The Board received an update on the decisions (both tentative and final) made by the IFRS Interpretations Committee at its January 2013 meeting, and the discussions held by the Committee at that meeting.

The Board decided there were no issues that ought to be raised with the Committee at this stage.

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12. Accounting Standards Advisory Forum (ASAF)

The Chairman gave an update on the ASAF, noting that:

- (a) on 1 February 2013 the International Financial Reporting Standards (IFRS) Foundation called for nominations of suitable candidates for membership of the ASAF;
- (b) organisations may nominate themselves and/or other eligible organisations;
- (c) the ASAF will be chaired by the IASB and have 12 other members with three, or possibly four, of those members being from the Asia-Oceania region;
- (d) the AASB will nominate for a position and the Asian-Oceanian Standard-Setters Group (AOSSG) will also be nominated; and
- (e) nominations of organisations (and their delegate) close on 28 February, with the first meeting tentatively scheduled for early April 2013.

13. Emerging Issues

The Board noted:

- (a) ongoing discussions being conducted in Australia and internationally in relation to AASB 119 *Employee Benefits* (and IAS 19) about the meaning of 'high-quality corporate bonds', and the selection of a government bond rate when there is not an active market for high-quality corporate bonds;
- (b) the differences that have arisen between the set-off disclosures required under US GAAP and IFRSs, given the differences between the respective set-off requirements;
- (c) an Options Paper *Use of Standard Business Reporting (SBR) for Financial Reports* has been issued by Treasury for comment by 15 March 2013 and staff are scheduled to attend a roundtable discussion on the Paper in early March. The Board decided the staff should comment on the Options Paper from a standard-setting perspective in respect of the likely costs and benefits of financial reports being lodged using XBRL;
- (d) recent tentative decisions made by the IASB and the FASB in their joint project to develop a standard on leases. The Board decided there were no issues that ought to be raised with the IASB at this stage; and

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- (e) the IASB hosted a Discussion Forum on disclosures in financial reporting on 28 January 2013, at which concerns about disclosure requirements in IFRSs, the causes of those concerns and possible broad approaches for dealing with those concerns were discussed.

14. Recently Approved Documents

Since the last Board meeting (12 – 13 December 2012), the Board approved out of session the following Standards and Exposure Draft:

- (a) AASB 2012-8 *Amendments to AASB 1049 – Extension of Transitional Relief for the Adoption of Amendments to the ABS GFS Manual relating to Defence Weapons Platforms*;
- (b) AASB 2012-9 *Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039*;
- (c) AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*;
- (d) AASB 2012-11 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments*; and
- (e) ED 233 *Australian Additional Disclosures – Investment Entities*.

In addition, five Exposure Drafts were issued under the Board's delegated authority for the Chairman to issue consultation documents where there is no significant additional Australian material. They are:

- (a) ED 230 *Classification and Measurement: Limited Amendments to AASB 9*, which incorporates IASB ED/2012/4;
- (b) ED 231 *Clarification of Acceptable Methods of Depreciation and Amortisation*, which incorporates IASB ED/2012/5;
- (c) ED 232 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, which incorporates IASB ED/2012/6;
- (d) ED 234 *Acquisition of an Interest in a Joint Operation*, which incorporates IASB ED/2012/7; and
- (e) ED 235 *Recoverable Amount Disclosures for Non-Financial Assets*, which incorporates IASB ED/2013/1.

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15. 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	Document	AASB No.	AASB Due Date	Other Organisation Due Date
IVSC	Investment Property (Discussion Paper)	–	–	1 March 2013
IVSC	Valuations of Specialised Public Service Assets (Exposure Draft)	–	–	1 March 2013
ABS	ABS Draft Chapters: ABS GFS Manual	–	–	15 March 2013
IASB	IFRS Taxonomy 2013 (Exposure Draft)	–	–	18 March 2013
IASB	Recoverable Amount Disclosures for Non-Financial Assets (proposed amendments to IAS 36) (Exposure Draft)	ED 235	28 February 2013	19 March 2013
IASB	Equity Method: Share of Other Net Asset Changes (proposed amendments to IAS 28) (Exposure Draft)	ED 228	closed	22 March 2013
IASB	Classification and Measurement: Limited Amendments to IFRS 9 (Exposure Draft)	ED 230	closed	28 March 2013
IPSASB	IPSASs and Government Finance Statistics Reporting Guidelines (Consultation Paper)	–	–	31 March 2013
IASB	Clarification of Acceptable Methods of Depreciation and Amortisation (proposed amendments to IAS 16 and IAS 38) (Exposure Draft)	ED 231	1 March 2013	2 April 2013
IASB	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (proposed amendments to IFRS 10 and IAS 28) (Exposure Draft)	ED 232	22 March 2013	23 April 2013

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Originating Organisation	Document	AASB No.	AASB Due Date	Other Organisation Due Date
IASB	Acquisition of an Interest in a Joint Operation (proposed amendment to IFRS 11) (Exposure Draft)	ED 234	22 March 2013	23 April 2013
AASB	Australian Additional Disclosures – Investment Entities (proposed amendments to AASB 1054)	ED 233	29 March 2013	–
IPSASB	Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Elements and Recognition in Financial Statements (Exposure Draft)	–	–	30 April 2013
IPSASB	Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Measurement of Assets and Liabilities in Financial Statements (Exposure Draft)	–	–	30 April 2013

16. Board Minutes

The Board approved the minutes of Meeting 128, held on 12 – 13 December 2012. These are now available on the AASB's website.

17. Next Meeting 10-11 April 2013

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

- Superannuation Entities
- Financial Instruments
- IASB proposals relating to:
 - Acquisition of an interest in a joint operation that constitutes a business
 - Sale or contribution of assets between an investor and associate or joint venture
- IPSASB Conceptual Framework proposals relating to:
 - Elements and recognition
 - Measurement of assets and liabilities

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- IPSASB update

18. Future Meetings

The remaining 2013 meeting dates are:

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

Unless indicated otherwise, meetings are held in Melbourne.

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