



Subject: Minutes of the 136th meeting of the AASB
Venue: Ken Spencer Room, AASB offices
Level 7, 600 Bourke St, Melbourne
Time(s): Thursday 13 February 2014 from 9.00 a.m. to 4.30 p.m.

Attendance

Members Kevin Stevenson (Chairman)
 John O'Grady (Deputy Chair)
 Peter Carlson
 Anna Crawford
 Regina Fikkers
 Peter Gibson
 Steve Mitsas
 Carmen Ridley
 Brett Rix
 Taryn Rulton
 Marc Smit
 Ann Tarca

Apologies Ian McPhee and Michele Embling

In Attendance:
Staff Mitchell Bryce (in part)
 Nikole Gyles
 Robert Keys (in part)
 Sue Lightfoot (in part)
 Evelyn Ling (in part)
 Lisa Panetta
 Joanna Spencer (in part)
 Angus Thomson (in part)

Agenda and Declaration of Interests

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. No such matters arose in this meeting.



Chairman's Report

Visitors to the AASB

The Chairman noted that in January Andreas Bergmann (IPSASB Chairman) and Paul Sutcliffe (principal author of IPSASB Conceptual Framework) from the International Public Sector Accounting Standards Board (IPSASB) visited the AASB. During their visit Andreas and Paul discussed the following topics with the Chairman and staff: Governance; the Conceptual Framework; Service Performance Reporting and Macro Hedging.

The Chairman also noted that in February IASB Board Member Wei-Guo Zhang visited the AASB. During his visit Wei-Guo discussed the following IASB projects: Revenue; Leases; the Disclosure Initiative and Insurance.

Correspondence with the IASB regarding Going Concern Disclosure

The Chairman noted correspondence with the IASB Chairman, Hans Hoogervorst regarding the IASB's decisions in relation to going concern. The Chairman noted that the AASB had written to the IASB to express concerns about the IASB's decision not to pursue the project. The AASB Chairman received a letter in response from the IASB Chairman acknowledging the AASB's concerns. In addition, the Chairman noted that the UK FRC had written to the IASB Chairman also expressing concern about the IASB decision and acknowledging the concerns expressed by the AASB.

Correspondence from the Assistant Treasurer

The Chairman noted a letter received from the Assistant Treasurer noting the Board's plans for a Post Implementation Review of RDR and expressing an interest therein..

Government's deregulation agenda

The Chairman provided Board Members with an update on the Government's deregulation agenda noting that the AASB, as with all other Commonwealth departments and agencies, are expected to contribute to the achievement of the Government's deregulation agenda, which aims to reduce regulatory burden for individuals, business and community organisation (i.e. NFP sector). The stated overall objective for relevant legislation is \$1 billion of compliance cost reductions each year.

Board Membership Changes

The Chairman welcomed the five new Board members to the Board: Ms Regina Fikkers, Mr Steve Mitsas, Ms Taryn Rulton, Mr Marc Smit and Professor Ann Tarca. He also reported on the one-day induction programme provided to those members on the previous day.

Other

The Chairman also noted:

- (a) the staff movements that are currently occurring;
- (b) that the next meeting will be held on Tuesday 8th and Wednesday 9th April;



- (c) the upcoming April Trustees meeting and Ken Spencer memorial lecture in Sydney;
- (d) the summary provided by Sue Lightfoot of the agendas of the upcoming international meetings that are occurring in March; and
- (e) the change in date for the December 2014 Board meeting to be 17-18 December.

Apologies, Minutes and Approvals Out of Session

Agenda Item 2

Apologies

Apologies were noted for Ian McPhee and Michele Embling.

Minutes

The Board approved the minutes of the one hundred and thirty-fifth meeting held on 11-12 December 2013.

Approvals Out of Session

In relation to agenda paper 2.2, the Board noted that since the last Board meeting (11-12 December 2013), the Board has approved out-of-session the following Standards:

- (a) AASB 1031 *Materiality*;
- (b) AASB 1048 *Interpretation of Standards*;
- (c) AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*.

In addition, the Board approved AASB CF 2013-1 Amendments to the Australian Conceptual Framework and Invitation to Comment – Fatal Flaw Draft – *Superannuation Entities*.

Furthermore, Exposure Draft ED 247 *Annual Improvements to IFRS 2012-2014 Cycle* was issued under the Board's policy of delegated authority for the Chairman to issue the IASB consultation document ED/2013/11 *Annual Improvements to IFRS 2012-2014 Cycle* where there is no significant additional Australian material. Comments are due by 27 February 2014 to the AASB and 13 March 2014 to the IASB.

Other Business

Agenda Item 3

The Board noted:

- (a) a memorandum from Lisa Panetta and Nikole Gyles dated 28 January 2014 AASB Work Program – Standard Setting Directorate (agenda paper 3.1) [Board only];
- (b) AASB Standard Setting Work Program and Meeting Pipeline (January 2014) (agenda paper 3.1.1) [Board only];
- (c) AASB Research Centre Work Program (January 2014) (agenda paper 3.1.2);



- (d) AASB Sub-committee membership listing as at 12 February 2014 [Board only] (tabled agenda paper 3.2);
- (e) Communications Report 12 December 2013 – 28 January 2014 [Board only] (agenda paper 3.3);
- (f) Letter from AASB Chairman to IASB Chairman dated 17 January 2014 re IASB Agenda Decision – Disclosure requirements about an assessment of going concern (agenda paper 3.4);
- (g) Letter from Ian McPhee, Auditor-General, ANAO to Greg Hallam, CEO Local Government association of Queensland dated 17 December 2013 re 2013 LGAQ Annual Conference: Resolution Number 15 Accounting Standards – Recognition of Revenue by Not for Profit Organisations (NFPs) (agenda paper 3.5);
- (h) Submission on AASB Invitation to Comment ITC 29 *A Review of the IASBs Conceptual Framework for Financial Reporting* (agenda paper 3.6);
- (i) Memorandum from Joanna Spencer dated 28 January 2014 re IPSASB Report December 2013 meeting (agenda paper 3.7);
- (j) NZ Report on the IPSASB meeting (agenda paper 3.7.1);
- (k) IPSASB Meeting Highlights – December 2013 (agenda paper 3.7.2);
- (l) Submissions on AASB ED 246 *Equity Method in Separate Financial Statements* (tabled agenda paper 3.8); and
- (m) Letter from AASB Chairman to IASB Chairman dated 3 February 2014 re AASB comments on IASB Exposure Draft ED/2013/10 *Equity Method in Separate Financial Statements* (tabled agenda paper 3.9).

IFRS Interpretations Committee

Agenda Item 4

The Board had before it:

- (a) a memorandum from Nikole Gyles dated 28 January 2014 re IFRS Interpretations Committee Update (agenda paper 4.1);
- (b) an issues paper – AASB staff summary of IFRS IC decisions January 2014 (tabled agenda paper 4.2); and
- (c) *IFRIC Update* January 2014 (tabled agenda paper 4.3).

The Board received an update on the 29-30 January 2014 IFRS Interpretations Committee (Committee) meeting. The Board noted the Committee's tentative agenda decisions in relation to the issues that the Board raised with the Committee regarding:

- (a) IFRS 3 *Business Combinations* – identification of the acquirer in accordance with IFRS 3 and the parent in accordance with IFRS 10 *Consolidated Financial Statements* in a stapling arrangement; and



- (b) IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – measurement of liabilities arising from emission trading schemes.

The Board decided to write to the Committee expressing support for the IFRS 3 tentative agenda decision. The Board also decided to write to the Committee expressing concern that the IAS 37 tentative agenda decision may inadvertently provide support for a view that the measurement of liabilities in accordance with IAS 37 may not need to be a current value.

In addition, the Board decided to write to the Committee in relation to the tentative agenda decision on IAS 32 *Financial Instruments: Presentation* – accounting for a financial instrument that is mandatorily convertible into a variable number of shares subject to a cap and floor. Whilst agreeing with the Committee's conclusion not to add the issue to its agenda, the Board expressed concern that a strong rationale for the conclusion was not evident.

The Board agreed that the comment letters should be finalised out of session by the Chairman.

Action:	Staff
	Chairman

Review

Agenda Item 6

The Board noted AASB Strategic Plan 2012 – 2016 – Progress Report, as at 28 January 2014 [Board only] (agenda paper 6.1).

Financial Instruments

Agenda Item 7

The Board had before it:

- (a) a memorandum from Sue Lightfoot dated 28 January 2014 re Financial Instruments - Project Update (agenda paper 7.1);
- (b) IASB tentative decisions re: Impairment (tabled agenda paper 7.2); and
- (c) IASB tentative decisions re: Classification and Measurement (tabled agenda paper 7.2);

Classification and Measurement, and Impairment

The Board received an update on the IASB and FASB December 2013 and January 2014 meetings in relation to the amendments proposed in IASB ED/2012/4 *Classification and Measurement: Limited Amendments to IFRS 9* and FASB Proposed Accounting Standards Update *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*.

The Board also received an update on IASB redeliberation on the dual-measurement impairment model proposed in IASB ED/2013/3 *Financial Instruments: Expected Credit Losses*.

The Board decided not to write to the IASB concerning the Financial Instruments project at this stage. The Board will continue to monitor the project. The most recent IASB work plan identifies that it is targeting



issuance of a complete IFRS 9, including amendments on classification and measurement and impairment, in Q2 of 2014.

Accounting for Macro Hedging

The Board noted that most recent IASB work plan identifies that the IASB is targeting issuance of a discussion paper on macro hedge accounting in Q1 2014.

Disclosures – Incorporation of Information by Cross-Reference

Paragraph 21B of AASB 7 *Financial Instruments*, as added by AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*, permits an entity to incorporate disclosures by cross-reference from the financial statements to some other statement (such as a management commentary or risk report), that is available to users of the financial statements on the same terms as the financial statements and at the same time.

At its October 2013 meeting the Board decided not to reinstate deleted paragraph B6 of AASB 7, which would have permitted disclosures to be incorporated by cross-referencing. The Board decided that, to be consistent with its previous decision concerning paragraph B6, paragraph 21B should be deleted and an explanation should be given in the 'Comparison with IFRS 7' in the introduction to AASB 7.

Action:

Staff

Insurance

Agenda Item 8

The Board had before it a memorandum from Sue Lightfoot dated 28 January 2014 re Insurance Contracts - Project Update (agenda paper 8.1);

The Board received an update on the IASB's Insurance Contracts project. The Board noted that in the January IASB meeting, the IASB staff provided feedback on Exposure Draft ED/2013/7 *Insurance Contracts* from comment letters, outreach and fieldwork.

The Board noted that, although many respondents, including the AASB, supported much of the revised proposals, there remain a number of areas of concern, including the complexity of the proposals (whether specific proposals or the proposals as a whole) and concerns about accounting mismatches.

Leases

Agenda Item 9

The Board had before it:

- (a) a memorandum from Nikole Gyles dated 28 January 2014 re: Leases – project update (agenda paper 9.1); and
- (b) an Issues Paper – Leases – Project update (tabled agenda paper 9.2).



The Board received an update on recent IASB and FASB discussions in their joint project to develop a Standard on leases. The Board did not consider that there were any further issues to be raised with the IASB regarding those discussions at this stage.

IFRS for SMEs

Agenda Item 11

The Board had before it:

- (a) a memorandum from Mitchell Bryce and Nikole Gyles dated 28 January 2014 re: the IASB's ED/2013/9 *Proposed amendments to the IFRS for SMEs* (agenda paper 11.1);
- (b) an Issues Paper - IASB ED/2013/9 *Proposed amendments to the IFRS for SMEs* (agenda paper 11.2);
- (c) an IASB Snapshot: *Comprehensive review of the IFRS for SMEs* (agenda paper 11.3); and
- (d) IASB ED/2013/9 *Proposed amendments to the IFRS for SMEs* (agenda paper 11.4).

The Board received an update on the IASB's Comprehensive review of the *IFRS for SMEs* and discussed the ED *Proposed amendments to the IFRS for SMEs*. The Board decided its submission to the IASB should:

- (a) comment on the continuing differences in recognition and measurement between the *IFRS for SMEs* and full IFRSs, including expressing concern that *IFRS for SMEs* is moving further away from full IFRSs, in terms of recognition and measurement, and, therefore, the comparability between publicly and non-publicly accountable entities might be compromised. The Board agreed that the submission should advise the IASB to incorporate the new and revised IFRSs since the publication of the *IFRS for SMEs*, including IFRS 3 *Business Combinations*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*;
- (b) request clarification of the term 'fiduciary' in the definition of 'public accountability'. The Board is concerned regarding the ambiguity of the term 'fiduciary', noting the term has different meanings across different jurisdictions;
- (c) express agreement with the proposed amendment to align the recognition and measurement of deferred tax in Section 29 *Income Tax* in the *IFRS for SMEs* with IAS 12 *Income Taxes* in full IFRSs. The Board agreed that doing so would reduce the reporting gap between non-publicly and publicly accountable entities;
- (d) note that the IFRS for SMEs should not be defining terms applied in full IFRSs that are not otherwise defined, for example, the term 'substantively enacted'. The Board considers that defining terms in the IFRS for SMEs that are not defined in full IFRSs may result in entities deriving inconsistent meanings and potentially increase the reporting gap between non-publicly and publicly accountable entities;
- (e) not support several amendments to the IFRS for SMEs including:



- i. the clarification that all subsidiaries acquired with the intention of sale or disposal within one year should be excluded from consolidation;
 - ii. the exemption of recognising intangible assets in a business combination if the fair value cannot be reliably measured without undue cost or effort; and
 - iii. the removal of the of the requirement to disclose the accounting policy for termination benefits;
- (f) not provide comments to the IASB in regards to the retrospective application of the proposed amendments or the extent to which the amendments will potentially impact financial statements. The Board agreed that due to the fact Australia does not adopt the *IFRS for SMEs* any comments in these areas would be inappropriate; and
- (g) support the tentative three-year cycle for maintaining the *IFRS for SMEs*. However, the Board considers the IASB should incorporate all improvements in full IFRSs into the *IFRS for SMEs*.

The Board also noted the need to review Tier 2 disclosure requirements in Australia to ensure consistency, where appropriate, with the proposed amendments to the *IFRS for SMEs*.

The Board agreed that the submission, reflecting the above views and responding to the specific questions in the ED, should be finalised out of session by the Chairman.

Action:	Staff
	Chairman

IPSASB

Agenda Item 12

IPSASB – EDs 48-52 Interests in Other Entities

The Board had before it:

- (a) a memorandum from Joanna Spencer dated 28 January 2014 re IPSASB EDs 48-52 on interests in other entities (agenda paper 12.1);
- (b) IPSASB “At a Glance” re IPSASB Exposure Drafts 48-52 *Interests in Other Entities – Summary of Five Exposure Drafts* (agenda paper 12.1.1);
- (c) AASB Staff Issues Paper on IPSASB Exposure Draft ED 48 *Separate Financial Statements* (agenda paper 12.2);
- (d) IPSASB Exposure Draft ED 48 *Separate Financial Statements* (agenda paper 12.2.1);
- (e) AASB Staff Issues Paper on IPSASB Exposure Draft ED 49 *Consolidated Financial Statements* (agenda paper 12.3);
- (f) IPSASB Exposure Draft ED 49 *Consolidated Financial Statements* (agenda paper 12.3.1);
- (g) AASB Staff Issues Paper on IPSASB Exposure Draft ED 50 *Investments in Associates and Joint Ventures* (agenda paper 12.4);



- (h) IPSASB Exposure Draft ED 50 *Investments in Associates and Joint Ventures* (agenda paper 12.4.1);
- (i) AASB Staff Issues Paper on IPSASB Exposure Draft ED 51 *Joint Arrangements* (agenda paper 12.5);
- (j) IPSASB Exposure Draft ED 51 *Joint Arrangements* (agenda paper 12.5.1);
- (k) AASB Staff Issues Paper on IPSASB Exposure Draft ED 52 *Disclosure of Interests in Other Entities* (agenda paper 12.6); and
- (l) IPSASB Exposure Draft ED 52 *Disclosure of Interests in Other Entities* (agenda paper 12.6.1).

The Board considered the key issues to raise to the IPSASB in respect of IPSASB Exposure Drafts 48-52 regarding interests in other entities. In general, the Board expressed support for aligning the IPSASB requirements to IFRS requirements. The Board noted the following key issues to include in the submissions:

- (a) ED 48 *Separate Financial Statements* – agree with the proposal that the equity method option for measuring investments in other entities be retained for consistency with the recent proposals in IASB ED/2013/10 *Equity Method in Separate Financial Statements*;
- (b) ED 49 *Consolidated Financial Statements*
 - i. recommend the definition of power be aligned to that in IFRS 10 *Consolidated Financial Statements*; and
 - ii. disagree with the exception for controlling entities that are not investment entities to not fully consolidate their controlled investment entities.
- (c) ED 50 *Investments in Associates and Joint Ventures*
 - i. disagree with the proposal to measure a retained interest in a former associate or joint venture that becomes a financial asset at the carrying amount as cost. The Board considers these requirements should be aligned to IAS 28 *Investments In Associates* (as amended in 2011) to be measured at fair value; and
 - ii. express a caution that other quantifiable economic interests can exist in addition to ‘quantifiable ownership interests’; and
- (d) ED 52 *Disclosure of Interests in Other Entities* – disagree with permitting disclosure requirements to be fulfilled by cross-referencing to reports outside the financial statements.

The Board agreed that the submission, reflecting the above views and responding to the specific questions in the EDs, should be finalised out of session by the Chairman.

Action:	Staff
	Chairman



IPSASB – Governance

The Board had before it:

- (a) a memorandum from Kevin Stevenson dated 10 February 2014 re The Future Governance of IPSASB (tabled agenda paper 12.7); and
- (b) The Future Governance of the International Public Sector Accounting Standards Board (IPSASB) (January 2014) (tabled agenda paper 12.7.1)

The Board considered the content of the International Public Sector Accounting Standards Board Governance Review Group's Consultation Paper *The Future Governance of the International Public Sector Accounting Standards Board (IPSASB) January 2014* and decided to make a submission that supports monitoring and oversight of the IPSASB by the IFRS Foundation's Monitoring Board and Trustees as the preferred option (Option 1 of the paper). However, the Board acknowledges that a separate monitoring and oversight board for the IPSASB within the IFAC structure is the most practical approach in the short-term (Option 2 of the paper), whilst working towards achieving Option 1.

Action:	Staff
	Chairman

Annual Improvements

Agenda Item 13

The Board had before it:

- (a) a memorandum from Evelyn Ling dated 28 January 2014 re Annual Improvements to IFRSs 2012 – 2014 Cycle (agenda paper 13.1);
- (b) staff issues paper – preliminary AASB staff views on IASB ED *Annual Improvements to IFRSs 2012-2014 Cycle* (agenda paper 13.2); and
- (c) AASB ED 247 *Annual Improvements to IFRSs 2012-2014 Cycle* (agenda paper 13.3).

The Board formed preliminary views on the proposals in IASB ED/2013/11 *Annual Improvements to IFRSs 2012-2014 Cycle* (incorporated into AASB ED 247), subject to consideration of any comments that might subsequently be received from AASB constituents.

The Board generally agreed with the proposals, but expressed concerns about the proposed amendments to IFRS 7 *Financial Instruments: Disclosures* relating to servicing contracts and IAS 19 *Employee Benefits*. The Board noted that the proposed amendments to IFRS 7 relating to servicing contracts is likely to change practice in Australia, and directed staff to conduct further research to assist the Board in forming its view on the proposed amendment. The Board delegated to a subcommittee, consisting of Kevin Stevenson, John O'Grady, Regina Fikkers and Marc Smit, responsibility for forming the Board's view on this issue. In relation to the proposed amendment to IAS 19, the Board was concerned that the underlying principle was unclear when markets other than the Eurozone were considered.



The Board agreed that the submission should be finalised out of session by the Chairman, after considering any comments it receives on ED 247.

Action:	Staff
	Sub-committee
	Chairman

Research Activities

Agenda Item 14

The Board noted the activities of the Research Centre since the December 2013 meeting, which included:

- (a) finalising the Board's submission on the IASB's DP/2013/1 *A Review of the Conceptual Framework for Financial Reporting*;
- (b) receiving constituent feedback on draft AASB 105X *Superannuation Entities* for fatal flaw review;
- (c) progressing the Research Report dealing with lodged financial statements; and
- (d) nearing finalisation of an Essay outlining the role of the reporting entity concept.

The Board noted that staff plan to bring the topic of service performance reporting to the April 2014 meeting with a view to:

- (a) identifying key issues the Board will raise in its submission on the IPSASB's ED 54 *Reporting Service Performance Information*; and
- (b) considering a strategy paper addressing the extent to which the Board could use the IPSASB's work to help expedite the AASB's Service Performance Reporting project.

Action:	Staff
---------	-------

Close of Meeting

The Chairman closed the meeting at 4.30 p.m. on Thursday 13 February 2014.

Approval

Signed by the Chairman as a correct record
this eighth day of April 2014