



Subject: Minutes of the 138th meeting of the AASB
Venue: Ken Spencer Room, AASB offices
Level 7, 600 Bourke St, Melbourne
Time(s): Wednesday 28 May 2014 from 9.00 a.m. to 4.40 p.m.
Thursday 29 May 2014 from 8.30 a.m. to 12.00 p.m.

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

Attendance

Members	Kevin Stevenson (Chairman) Ian McPhee (Deputy Chair) John O'Grady (Deputy Chair) Peter Carlson Anna Crawford Michele Embling Regina Fickers Carmen Ridley Brett Rix Taryn Rulton Marc Smit Ann Tarca
Apologies	Peter Gibson Steve Mitsas
Observer	Kimberley Crook
In Attendance:	
Staff	Clark Anstis (in part) Glenn Brady (in part) Mitchell Bryce (in part) Nikole Gyles (in part) Kala Kandiah (in part) Robert Keys (in part) Sue Lightfoot (in part) Evelyn Ling (in part) Christina Ng (in part) Lisa Panetta Jim Paul (in part) Ahmad Hamidi Ravari (in part) 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

Board Membership Changes

The Chairman noted that it was the last Board meeting for Michele Embling (current Chair of NZASB) and for himself. In addition, the Chairman welcomed Ms Kimberley Crook (future Chair of NZASB) noting that Ms Crook has been appointed as a Board Member from 1 July 2014.

Office of Best Practice Regulation

The Board noted the requirements to prepare Regulation Impact Statements in respect of accounting standards on major topics. They also noted the new requirement for a Business Cost Calculation to be undertaken for each new Standard, and that the calculations take into account costs and cost savings compared with 'business as usual', but do not take into account opportunity costs.

In addition, the Board were provided with a brief overview of the AASB's responsibilities in respect to the Statement of Expectations.

National Commission of Audit

The Chairman provided the Board with a brief outline of the key points noted in the Commission of Audit Recommendations.

ASAF Meeting

Sue Lightfoot provided the Board with a brief update of the critical issues identified from the ASAF June meeting agenda papers. The ASAF meeting was to follow on 2-3 June.

FRC Meeting

The Chairman provided the Board with an update on the FRC meeting held on 11 April 2014.

NZ Board Meeting

Michele Embling provided the Board with an update on the recent NZASB Board Meeting.

AOSSG Meeting

The Chairman noted that there is an AOSSG meeting being held in Tokyo on 5 June 2014. The Chairman outlined the main topics that are due to be discussed at this meeting including: IFRS 3 Post-Implementation Review; Agriculture – bearer plants; Leases; Conceptual Framework; Financial Instruments; and Revenue



from Contracts with Customers. The Chairman further noted that due to timing issues, no AASB staff will be attending this meeting because of the clash with ASAF.

Indonesian Delegates from the Indonesian Government Accounting Standards Board (KSAP)

The Chairman noted that a delegation from the Government Accounting Standards Committee of Indonesia will be attending the Board meeting on Thursday 29 May. The Chairman further noted that following the Board meeting, Board members will be meeting with the delegates to discuss issues of mutual interest, including the frameworks for setting accounting standards in Indonesia, Australia and New Zealand, involvement with the IPSASB and the IASB, and the operations of the Asian-Oceanian Standard-Setters Group. The Chairman noted that this meeting will be open to the public.

Apologies, Minutes and Approvals Out of Session

Agenda Item 2

Apologies

Apologies were noted for Peter Gibson and Steve Mitsas for both days of the meeting.

Minutes

The Board approved the minutes of the one hundred and thirty-seventh meeting held on 8-9 April 2014.

Approvals Out of Session

The Board had before it a memorandum from Lisa Panetta dated 13 May 2014 re Voting Summary – Board only (agenda paper 2.2).

The Board noted that since 24 March 2014, the Board has approved out-of-session Tier 2 Supplement to ED 249 *Disclosure Initiative*.

In addition, Exposure Draft ED 249 *Disclosure Initiative* and Invitation to Comment ITC 31 *Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging* were approved under the Board's policy of delegated authority for the Chairman to issue the IASB documents where there is no significant additional Australian material.

Other Business

Agenda Item 3

The Board noted:

- (a) Memorandum from Lisa Panetta and Nikole Gyles dated 13 May 2014 re AASB Work Program – Standard Setting Directorate (agenda paper 3.1);
- (b) AASB Standard Setting Work Program and Meeting Pipeline as at 13 May 2014 (agenda paper 3.1.1) [Board only];
- (c) AASB Research Centre Work Program as at 13 May 2014 (agenda paper 3.1.2) [Board only];
- (d) AASB Sub-committee membership as at 13 May 2014 (agenda paper 3.2) [Board only];



- (e) Memorandum from Lisa Panetta dated 13 May 2014 re Upcoming Sub-committee Membership Changes (agenda paper 3.2.1) [Board only];
- (f) Memorandum from Mitchell Bryce dated 13 May 2014 re May 2014 Communications Report Highlights (agenda paper 3.3) [Board only];
- (g) AASB Communication Report dated 25 March – 13 May 2014 (agenda paper 3.3.1) [Board only];
- (h) NZASB Communique 2014/16 -30 April 2014 re PBE Exposure Drafts issued PBE EDs NZASB 2014-2 Interests in Other Entities (Amendments to PBE SFR-A(PS)) and NZASB 2014-3 Interests in Other Entities (Amendments to PBE SFR-A(NFP)) (agenda paper 3.4);
- (i) Letter from AASB Chairman to IFRS Interpretations Committee Chairman dated 30 April 2014 re Tentative Agenda Decision on Clarifying the measurement of liabilities under IAS 37 (agenda paper 3.5);
- (j) Letter from IASB Chairman to AASB Chairman dated 29 April 2014 re IASB Tentative Decisions – Insurance Contracts (agenda paper 3.6);
- (k) Letter from AASB Chairman to IASB Chairman dated 17 April 2014 re IASB Tentative Decisions – Insurance Contracts (agenda paper 3.7);
- (l) Report on International Forum of Accounting Standard-Setters (IFASS) – 6-7 March 2014 (agenda paper 3.8);
- (m) A Model for National Standard-Setters (agenda paper 3.9);
- (n) *Charter The IASB and other accounting standard-setters Working together to develop and maintain global financial reporting standards* (agenda paper 3.10);
- (o) Letter from IFASS Chairman to IASB Chairman dated 28 April 2014 re International Forum of Accounting Standard Setters: New Delhi 6-7 March 2014 (agenda paper 3.11); and
- (p) Letter from Peter Lane to AASB Chairman re AASB 141 Native Forestry dated 21 May 2014 (agenda paper 3.12).

IFRS Interpretations Committee

Agenda Item 4

The Board had before it:

- (a) a memorandum from Nikole Gyles and Mitchell Bryce dated 13 May 2014 re IFRS Interpretations Committee Update (agenda paper 4.1);
- (b) an issues paper – AASB Staff Summary of IFRS IC Decisions May 2014 (tabled agenda paper 4.2); and
- (c) *IFRIC Update* May 2014 (tabled agenda paper 4.3).



The Board received an update on the 13-14 May 2014 IFRS Interpretations Committee (Committee) meeting.

The Board noted, and generally agreed with, the Committee's final agenda decision relating to 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. The Board noted they would have preferred the scope of the final agenda decision to be extended to include other types of business combinations arising from contract alone. The Board will consider the implications of the scope of that agenda decision at a future meeting.

The Board also noted the Committee's final agenda decision relating to 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 a floor. While the Board agreed with the treatment of the financial instrument in question, the Board was concerned with the Committee's rationale for the decision. Rather than write to the Committee specifically on this issue, the Board decided to write to the Committee making a more general point about the importance of agenda decisions being consistent when relating to the same Standard (such as IAS 32).

Furthermore, the Board noted Committee's recommendation to the IASB relating to an Annual Improvement for IAS 34 *Interim Financial Reporting* – disclosure of information 'elsewhere in the interim financial report'. The Board noted that the Committee's suggested rewording of the proposed paragraph 16A of IAS 34 may have unintended consequences in an Australian reporting context. AASB staff will discuss the issue with the IASB staff.

Finally, the Board noted the Committee's final agenda decision relating to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – measurement of liabilities arising from emission trading schemes. The Board noted they would have preferred that the final agenda decision clarified that all liabilities accounted for in accordance with IAS 37 must be measured at current value irrespective of any linked assets. The Board decided no further action was required in relation to this issue at this time and will continue to monitor the outcomes of the IASB's Conceptual Framework project in relation to IAS 37.

Action: Staff

Emerging Issues

Agenda Item 5

Commencement Provisions in AASB Standards

Agenda Item 5.1

The Board had before it a memorandum from Clark Anstis re Commencement provisions in AASB Standards (agenda paper 5.1).

The *Corporations Act 2001* states that an Accounting Standard applies to periods ending after the commencement of the Standard or to periods ending or starting on or after a later date specified in the



Standard. The Board considered whether to include a formal commencement provision in each new Accounting Standard in order to clearly establish its commencement date for legal purposes. A commencement date would not alter the mandatory application date specified in a Standard.

The Board decided to include in future Standards made by the Board under its Corporations Act powers a paragraph stating that the Standard commences on the day that it is made by the Board. The date that a Standard is made by the Board is shown at the beginning of the Standard.

The Board noted that commencement provisions were included in the current ballot drafts of two proposed Standards: *AASB X Regulatory Deferral Accounts* and *AASB 2014-X Amendments to Australian Accounting Standards*.

Action: Staff

AASB 14 Regulatory Deferral Accounts (ballot draft)

Agenda Item 5.2

The Board had before it a memorandum from Kala Kandiah dated 22 May 2014 re Sweep issues arising on *AASB 14 Regulatory Deferral Accounts* (ballot draft) (agenda paper 5.2).

The Board addressed a number of sweep issues on *AASB 14 Regulatory Deferral Accounts* (ballot draft), including giving further consideration to the likely impact of that Standard if it were to be adopted in Australia. The Board noted that the Standard could conceivably have an impact on a newly listed entity from a foreign jurisdiction and a foreign entity that 'back door' lists in Australia.

Overall, based on the expectation that the practical impact would be minimal, the Board decided not to make any amendments to the ballot draft as a consequence of the sweep issues raised. However, the Board decided to include an AASB Basis for Conclusions that captures the Board's deliberations of the sweep issues to accompany AASB 14.

The ballot draft, with the accompanying AASB Basis for Conclusions, will be voted on by AASB members shortly.

Action: Staff
Members

Equity Method: Share of Other Net Asset Changes – Project Update

Agenda Item 5.3

The Board had before it a memorandum from Christina Ng dated 23 May 2014 re Equity Method: Share of Other Net Asset Changes – Project Update (tabled agenda paper 5.3).

The Board received an update on developments in the IASB's project on Equity Method: Share of Other Net Asset Changes. In particular, the Board noted that, at the IASB's May 2014 meeting, the IASB decided not to proceed with the proposed amendments and to address the issue of how an investor should recognise its share of other net asset changes as part of its research project on Equity Method of Accounting.



IPSASB Strategy Consultation

Agenda Item 7

The Board had before it:

- (a) a memorandum from Joanna Spencer dated 13 May 2014 re IPSASB Strategy Consultation (agenda paper 7.1);
- (b) an issues paper on IPSASB Strategy Consultation (agenda paper 7.2);
- (c) IPSASB 'At a Glance' document on IPSASB Strategy Consultation (agenda paper 7.3); and
- (d) IPSASB Strategy Consultation document (agenda paper 7.4).

The Board considered the key issues to raise in its submission on the *IPSASB Strategy Consultation*, addressing the IPSASB's strategy for 2015 forward and its 2015-2019 work program. The Board decided its submission should encourage the IPSASB to first articulate its ideal strategic objective (i.e. without regard to resource constraints, for example, 'acceptance of IPSASs') as a context for identifying, within resource constraints, the desired outcomes that inform the identification of tactics. In addition, the AASB submission will encourage the IPSASB to:

- (a) identify 'improved public financial management' as a desired outcome rather than a primary objective;
- (b) identify the development of a public sector conceptual framework as an objective, and convergence with IFRSs as a key tactic for achieving its objectives;
- (c) consider using technology creatively as a feedback mechanism, as a way of dealing with IPSAS interpretation and other implementation issues in a resource-efficient way;
- (d) articulate the manner in which the factors to be considered in setting the IPSASB's work program should be balanced, given there may be circumstances where one factor conflicts with another (e.g. IFRS convergence vs alignment with GFS); and
- (e) consider initiating a project addressing 'disclosure overload' and prioritise its project on improving IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)*, but not underestimate the potential magnitude of the three current major projects on leases, revenue and insurance.

The Board agreed that the submission, reflecting the above views and responding to the specific questions in the consultation document, should be finalised out of session by the Chairman or Deputy Chair (depending on timing).

Action:

Staff

Chairman/Deputy Chair



Related parties

Agenda Item 8

The Board had before it:

- (a) a memorandum from Evelyn Ling dated 13 May 2014 re Related party disclosures by not-for-profit public sector entities (agenda paper 8.1);
- (b) a staff paper: issues considered and tentative Board decisions (agenda paper 8.2);
- (c) a memorandum from Evelyn Ling dated 13 May 2014 re AASB 124 *Related Party Disclosures* – Tier 2 Reduced Disclosure Requirements (agenda paper 8.2.1);
- (d) extracts from the minutes of previous AASB meetings (agenda paper 8.3);
- (e) ED 214 *Extending Related Party Disclosures to the Not-for-Profit Public Sector* (agenda paper 8.4);
- (f) staff collation of submissions and roundtable comments (with staff comments and view) [for information only] (agenda paper 8.5);
- (g) list of submissions received to ED 214 [for information only] (agenda paper 8.6); and
- (h) staff summary of significant matters raised at roundtables [for information only] (agenda paper 8.7).

The Board considered, and broadly reconfirmed, its previous tentative decisions in respect of extending the scope of AASB 124 *Related Party Disclosures* to not-for-profit (NFP) public sector entities, including that guidance to clarify how the proposals apply to NFP public sector entities should be developed. The Board confirmed that it is appropriate to extend AASB 124 to NFP public sector entities, including for GGS financial statements, and that:

- (a) it is possible that some Ministers may not be key management personnel;
- (b) with respect to related party transactions, application of the materiality principle is sufficient to distinguish transactions that ought to be disclosed, and no specific exemption is necessary for transactions between the reporting entity and a Minister who has been identified as a related party;
- (c) with respect to related party transactions, transactions with Ministers in their collective government capacity are transactions of the entity rather than related party transactions with the Minister;
- (d) guidance is to be developed in respect of (a) and (b) above. The Board reconfirmed that the Standard does not require an additional public sector perspective beyond the guidance to be developed; and
- (e) there are no regulatory or other issues arising that may affect the implementation of the proposals, and the proposals are in the best interests of the Australian economy and would result in useful information for users of financial statements.

The Board also agreed that the requirements in AASB 124 for the disclosure of KMP compensation should apply to NFP public sector entities, but that some relief should be available. The Board noted that the forthcoming 'management entity' amendments to AASB 124 may have relevance when considering the



disclosure of the compensation of Ministers who have been identified as key management personnel of a not-for-profit public sector entity, and agreed that:

- (a) no additional NFP public sector specific disclosures are necessary where an entity applies the 'management entity' amendments noted above; and
- (b) forthcoming AASB 124 paragraph 18A should be retained in Tier 2 disclosure requirements applicable to not-for-profit public sector entities.

The Board agreed that the proposals, when finalised, should apply retrospectively to annual reporting periods beginning on or after 1 July 2016. The Board noted that as their decisions at this meeting have not varied significantly from their previous tentative decisions, entities should have had sufficient lead time to consider implementation of the proposed amendments.

The Board decided not to activate the Related Parties subcommittee and requested staff to circulate a pre-ballot draft to the Board reflecting the Board's decisions at this meeting. The Board agreed that it is satisfied sufficient due process has been undertaken with respect to the proposals.

Action: Staff

Reporting Entity Concept (amending the application focus of Standards)

Agenda Item 9

The Board had before it:

- (a) a memorandum from Ahmad Hamidi dated 13 May 2014 re Amending Application Focus of Standards (agenda paper 9.1);
- (b) an issues paper – Amending the Application Focus of Australian Accounting Standards (agenda paper 9.2);

The Board considered an issues paper setting out:

- (a) the background to the evolution of application paragraphs of Australian Accounting Standards that apply to corporate non-reporting entities;
- (b) the summary results of the research into the application of the reporting entity concept and lodgement of special purpose financial statements (SPFSs);
- (c) tentative decisions made in its February and April 2013 meetings, including, clarifying that:
 - (i) the AASB's mandate is setting accounting standards for general purpose financial statements (GPFs) under Tier 1 and Tier 2; and
 - (ii) reporting requirements for SPFSs is outside the AASB's mandate and should be a matter for consideration by preparers, regulators and specific users and who are not dependent on GPFs; and



- (d) arguments for and against progressing as an initial exercise the proposal in ED 192 *Revised Differential Reporting Framework* to change the focus of Australian Accounting Standards to apply to reporting entities/GPFSs only.

The Board tentatively decided that the application paragraphs of Standards that apply to corporate non-reporting entities should be amended to apply to reporting entities/GPFSs only. The Board noted that considerable consultation with stakeholders should be undertaken before commencing a formal due process of proposing the amendment. The consultation will include liaison with FRC, and with regulators to inform them of the Board's tentative decision and coordination in regard to possible implications of implementing the change. The Board will also undertake steps to help ensure that the reporting entity concept is as clear as possible.

The Board also noted that its tentative decision is not conditional on, and is independent of, progressing the other remaining proposals in ED 192 regarding the clarification of GPFSs in an Australian context including the enhancement of other regulators' role in identifying reporting entities in respective jurisdictions.

The Board noted the Standards that would be affected by this tentative decision are:

- AASB 101 *Presentation of Financial Statements*;
- AASB 107 *Statement of Cash Flows*;
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- AASB 1031 *Materiality*;
- AASB 1048 *Interpretation of Standards*;
- AASB 1053 *Application of Tiers of Australian Accounting Standards*; and
- AASB 1054 *Australian Additional Disclosures*.

Action:

Staff

Levies

Agenda Item 10

The Board had before it a memorandum from Nikole Gyles dated 13 May 2014 re Levies – Review of IFRS Interpretations Committee Agenda Decision (agenda paper 10.1).

The Board reviewed the IFRS Interpretations Committee's final agenda decision in relation to IFRIC 21 *Levies* and the identification of a present obligation to pay a levy that is subject to a pro rata activity threshold as well as an annual activity threshold. The Board decided not to take any further action in relation to this issue at this stage.

Leases

Agenda Item 11

The Board had before it:

- (a) a memorandum from Nikole Gyles dated 13 May 2014 re Leases – project update (agenda paper 9.1); and



- (b) an issues paper re Leases – Project Update (agenda paper 9.2).

The Board noted the April 2014 tentative decisions the IASB and the FASB made in relation to their Leases project and did not consider there were any issues arising out of those decisions to be raised with the IASB at this stage. The Board will consider the May 2014 IASB/FASB tentative decisions at its next meeting.

Narrow Scope Amendments

Agenda Item 12

The Board had before it:

- (a) a memorandum from Evelyn Ling dated 13 May 2014 re Narrow scope Amendments – Fair Value Measurement: Unit of Account (agenda paper 12.1);
- (b) a memorandum from Kala Kandiah dated 13 May 2014 re Narrow Scope Amendments – IFRS 2 (agenda paper 12.2); and
- (c) a memorandum from Kala Kandiah dated 13 May 2014 re Narrow Scope Amendments – Investment Entities (agenda paper 12.3).

The Board received an update on the following IASB narrow scope projects:

- (a) Fair Value Measurement: Unit of Account;
- (b) Clarifications of Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2); and
- (c) Investment Entities: Applying the Consolidation Exemption (Proposed amendments to IFRS 10 and IAS 28).

The Board noted the IASB's tentative decisions to date on the respective projects and, while expressing concern in relation to some of the proposed amendments in respect of investment entities, decided not to raise any issues with the IASB on these projects prior to the AASB drafting its submissions on the forthcoming Exposure Drafts. The Board was particularly concerned with the proposal to amend IFRS 10 *Consolidated Financial Statements* so that the exemption from preparing consolidated financial statements set out in paragraph 4(a) of IFRS 10 would be available to an intermediate parent entity that is a subsidiary of an investment entity but that is not an investment entity itself.

Insurance Contracts

Agenda Item 13

The Board had before it a memorandum from Sue Lightfoot dated 13 May 2014 re Insurance Contracts: Project Update (agenda paper 13.1).

The Board received an update on recent tentative decisions made by the IASB on its Insurance Contracts project.



The Board had written to the IASB in late April expressing concern about the IASB's tentative decision to require, for all portfolios of insurance contracts, disclosure of the difference between the present value of changes in expected cash flows that adjust the contractual service margin (CSM) in a reporting period when:

- (a) measured using discount rates that applied on initial recognition of insurance contracts; and
- (b) measured at current rates.

The Board noted the response from the IASB Chairman indicated that the IASB intends to reconsider the use of discount rates that applied on initial recognition of insurance contracts, which may lead to a change in the disclosure requirements. The Board will continue to monitor the IASB deliberations on this issue.

The Board decided to raise concerns with the IASB in relation to three tentative decisions made at the IASB's April and May 2014 meetings regarding non-participating contracts. Those tentative decisions are:

- (a) not to re-consider disclosures in future meetings;
- (b) not to consider the unbundling-lapse together 'rule' in future meetings; and
- (c) to clarify that the service represented by the CSM is insurance coverage that is provided on the basis of the passage of time and reflects the number of contracts in force.

In relation to the third concern noted above, the Board expressed the view that the IASB's decision to use coverage period for allocating CSM (for non-participating businesses) has three flaws or weaknesses:

- (a) the allocation would not reflect a pattern of meeting a stand-ready obligation (for example, for Lenders Mortgage Insurance where the service is typically non-linear);
- (b) the allocation would be inconsistent with the outcome under the simplified premium allocation approach; and
- (c) insurers do not currently perform this calculation.

The Board considered that using value of expected claims would address all of the above flaws or weaknesses and this approach should be raised with the IASB.

The Board also noted that accounting for participating contracts is on the IASB agenda for the June 2014 Accounting Standards Advisory Forum (ASAF) meeting.

Action: Staff
Chairman

Financial Instruments

Agenda Item 14

The Board had before it:

- (a) a memorandum from Sue Lightfoot dated 13 May 2014 re Financial Instruments Project Update (agenda paper 14.1);



- (b) IASB Webinar Slides *Accounting for Dynamic Risk Management* - 29 April 2014 (agenda paper 14.2); and
- (c) June 2014 ASAF Meeting Agenda Paper 5A *Macro Hedging* (agenda paper 14.3).

The Board received an update on the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* with IFRS 9 *Financial Instruments* in relation to amendments proposed in IASB ED/2012/4 *Classification and Measurement: Limited Amendments to IFRS 9* and IASB ED/2013/3 *Financial Instruments: Expected Credit Losses* (incorporated into AASB ED 230 and ED 237 respectively).

At its February 2014 meeting the IASB concluded that it had completed its due process and requested its staff to prepare a ballot draft. Issuance of a complete IFRS 9, including amendments on classification and measurement and impairment, is now expected to be around June/July 2014. Subject to Board approval, and completing required regulatory impact requirements, it is anticipated that the amendments to IFRS 9 will be incorporated into AASB 9 in the batch of Standards expected to be issued by the Board in Q4 2014.

The Board decided there were no further issues to raise with the IASB at this stage.

Post-Implementation Review of IFRS 3 *Business Combinations*

Agenda Item 15

The Board had before it:

- (a) a memorandum from Clark Anstis re Post-Implementation Review of IFRS 3 and AASB 3 *Business Combinations* (agenda paper 15.1);
- (b) an issues paper – Post-Implementation Review: Business Combinations paper (agenda paper 15.2);
- (c) submissions received from constituents on AASB Invitation to Comment ITC 30 *Request for Comment on IASB Request for Information on Post-implementation Review: IFRS 3 Business Combinations* (agenda paper 15.3, including one submission tabled at the meeting);
- (d) staff summary of significant matters raised at the AASB Discussion Forum (April 2014) (agenda paper 15.4); and
- (e) AASB ITC 30 *Request for Comment on IASB Request for Information on Post-Implementation Review: IFRS 3 Business Combinations* (February 2014), which incorporated the IASB's Request for Information (agenda paper 15.5).

The Board decided to make a submission to the IASB in response to the IASB's Request for Information regarding the post-implementation review of IFRS 3 *Business Combinations*. The Board decided that the principal comments to be made in the submission should include the following:

- (a) although various improvements could be made, major revisions to IFRS 3 are not required and thus a major revision project is not warranted. For example, the Board supports the recognition of impairment of goodwill rather than amortisation, and the present approach to step acquisitions. The Board noted that the main issues in practice relate to the application of other IFRSs to acquired



intangible assets and goodwill, such as the impairment requirements under IAS 36 *Impairment of Assets*;

- (b) the application guidance regarding the definition of a business should be addressed in order to reduce uncertainty in distinguishing business combinations and asset acquisitions;
- (c) fair value is an appropriate measurement basis for business combinations, even though there can be difficulties in applying that basis to particular assets and liabilities;
- (d) the disclosure requirements are generally supported, however, concern should be noted in respect of the pro forma revenue and profit or loss disclosures determined as if all business combinations during the period had occurred at the start of the period; and
- (e) application guidance regarding determining whether arrangements for contingent payments to employees or selling shareholders are contingent consideration or separate remuneration transactions should be improved, given previous consideration by the IFRS Interpretations Committee.

In reaching its views, the Board considered the submissions received from constituents on AASB Invitation to Comment ITC 30 and the significant matters raised by constituents at the Board's Discussion Forum on the topic.

The Board also decided that the draft submission to be prepared by staff should be circulated to all Board members for comment prior to being finalised for submission to the IASB.

Action:	Staff
	Members

Income from transactions of NFP entities

Agenda Item 16

The Board had before it:

- (a) a memorandum from Jim Paul and Glenn Brady dated 13 May 2014 re Income from Transactions of Not-For-Profit Entities: Summary of project developments and staff project plan (agenda paper 16.1); and
- (b) PowerPoint slides re *Income from Transactions of Not-for-Profit Entities: Summary of project developments and staff project plan* (agenda paper 16.2).

The Board received a staff presentation on AASB tentative decisions to date in developing an Exposure Draft (ED) on Income from Transactions of Not-for-Profit Entities (NFPs), and a draft project plan.

The ED will be based on IFRS 15 *Revenue from Contracts with Customers*, modified where necessary to address NFP specific issues, including accounting for income from transactions of NFPs arising from non-customer sources (e.g. taxes). It will include a proposed replacement of the income recognition requirements in AASB 1004 *Contributions*.



No decisions on the draft ED were made by the Board at this meeting. Some Board members commented that it would be useful to give further consideration to whether:

- (a) a stipulation regarding “the nature or type of goods or services to be provided” would be sufficiently specific to enable identification of how and when a performance obligation is satisfied; and
- (b) in relation to the principle that any excess of the fair value of assets received in a transaction over the fair value of promised goods or services underlying an associated performance obligation should be recognised immediately as donation income, additional guidance or presumptions should be included to address circumstances in which the fair value of promised goods or services is subject to significant estimation uncertainty.

The ED is targeted for issue during the second half of 2014.

Action: Staff

ED 248 Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements

Agenda Item 17

The Board had before it:

- (a) a memorandum from Nikole Gyles and Robert Keys dated 13 May 2014 re Consideration of feedback received on ED 248 *Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements* (agenda paper 17.1);
- (b) ED 248 comment letter analysis (tabled agenda paper 17.2);
- (c) comment letters received on ED 248 (tabled agenda paper 17.3);
- (d) ED 248 Amendments to AASB 1053 – *Transition to and between Tiers, and related Tier 2 Disclosure Requirements* (agenda paper 17.4); and
- (e) AASB Staff Paper Transitioning to and between Tiers of General Purpose Financial Reporting (agenda paper 17.5)

After considering the submissions received on ED 248, and noting that the current environment is still one in which AASB standards include some that apply to non-reporting entities (and therefore special purpose financial statements), the AASB decided to proceed with the proposals without any substantive amendments. In doing so, the Board noted that although the drafting of the requirements is quite complex, any particular entity would know its particular circumstances and therefore should be able to readily identify the requirements that are applicable to it (rather than needing to read all the requirements applicable to other circumstances). Furthermore, the AASB decided to include as an Appendix to the Standard a table of common transition examples to help those applying the Standard better understand the implications of the amendments.



The Board decided to retain the proposed effective date of 1 July 2014, and requested staff to prepare a ballot draft for voting by Board members as soon as practicable. Board members noted that the ballot draft might differ from the ED due to quality control checks to be undertaken by staff and that any changes from the ED to the Standard should be highlighted in a document that will accompany the ballot draft.

Action: Staff

Research Update

Agenda Item 18

The Board had before it:

- (a) a memorandum from Angus Thomson dated 13 May 2014 re Disclosure Initiative (agenda paper 18.1); and
- (b) staff note on IASB Disclosure Initiative (agenda paper 18.2)

The Board noted progress on research projects and related matters since the Board's April 2014 meeting, including the following:

- (a) the contractors and staff are in the process of finalising the AASB Research Report *Application of the Reporting Entity Concept and Special Purpose Financial Statements* – expected to be published on the AASB website in June 2014;
- (b) the publication on the AASB website of AASB Essay 2014-1 *The Critical Role of the Reporting Entity Concept in Australian Financial Reporting*;
- (c) development of a plan for progressing the Service Performance Reporting project on the basis of the Board's April meeting decisions, in preparation for transferring the project to standard-setting staff;
- (d) finalisation of the ballot draft AASB 105X *Superannuation Entities* and accompanying Regulation Impact Statement, which has been sent to AASB members for voting;
- (e) near finalisation of a supplementary paper to the AASB's February 2014 submission on the IASB's Discussion Paper DP/2013/1 *A Review of the Conceptual Framework for Financial Reporting*;
- (f) an outline of the Disclosure Initiative research project that has been commenced by the IASB; and
- (g) the post-implementation review of IFRS 3 *Business Combinations* (also see agenda item 15).



Close of Meeting

The Chairman closed the meeting at 12.00 p.m. on Thursday 29 May 2014.

Approval

Signed by the Acting Chair as a correct record
this sixteenth day of July 2014