



**Subject:** Minutes of the 141<sup>st</sup> meeting of the AASB  
**Venue:** Ken Spencer Room, AASB offices  
Level 7, 600 Bourke St, Melbourne  
**Time(s):** Wednesday 22 October 2014 from 9.30 a.m. to 5.35 p.m.  
Thursday 23 October 2014 from 9.00 a.m. to 12.25 p.m.

All agenda items except Agenda and Declarations of Interest and Review were discussed in public.

## Attendance

Members  
Angus Thomson (Acting Chair)  
Ian McPhee (Deputy Chair) (apology from 9.30am to 1.30pm day 1. Apology day 2)  
John O'Grady (Deputy Chair) (apology from 9.30am to 10.45am day 1)  
Peter Carlson (apology from 4.25pm day 1. Apology day 2)  
Anna Crawford  
Kimberley Crook  
Regina Fickers  
Peter Gibson  
Steve Mitsas  
Carmen Ridley (apology from 4.00pm on day 1)  
Brett Rix  
Taryn Rulton  
Marc Smit  
Ann Tarca

In Attendance:  
Staff  
Glenn Brady (in part)  
Mitchell Bryce (in part)  
Nikole Gyles  
Kala Kandiah (in part)  
Sue Lightfoot (in part)  
Lisa Panetta  
Jim Paul (in part)  
Joanna Spencer (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.



## Acting Chair's Report

### *Deregulation agenda*

The Acting Chair noted that AASB staff have submitted a draft (first pass) Regulatory Impact Statement and Business Cost Calculation on adopting IFRS 15 *Revenue from Contracts with Customers* to the Office of Best Practice Regulation.

### *Public Management Reform Agenda (PRMA)*

The Acting Chair and AASB staff member Joanna Spencer attended the PRMA information session on 11 September and AASB staff have made a submission on the Discussion Paper *Enhancing the Commonwealth Performance Framework*. The submission included comments on the AASB's own interest in service performance reporting; benchmarking; having principles and not rules; and ensuring the Framework is allowed to evolve.

### *New Zealand*

The NZASB Chair, Kimberley Crook, reported on key developments in New Zealand.

### *Effects of using IFRS*

The Acting Chair noted that the EU public consultation document regarding the Effects of using IFRS was briefly discussed at the Accounting Standards Advisory Forum (ASAF), further noting that the opinion was divided as to whether it would be relevant for non-Europeans to respond. The Acting Chair noted that the due date for comment is 31 October 2014. The Board agreed not to comment on the consultation document.

## Apologies, Minutes and Approvals Out of Session

### Agenda Item 2

#### **Apologies**

Apologies were noted for Ian McPhee from 9.30am until 1.30pm, John O'Grady from 9.30am until 10.45am, Carmen Ridley from 4.00pm and Peter Carlson from 4.25pm on day 1 of the meeting. Apologies were noted for Ian McPhee and Peter Carlson for day 2 of the meeting.

#### **Minutes**

The Board approved the minutes of the one hundred and fortieth meeting held on 3-4 September 2014.

#### **Approvals Out of Session**

The Board had before it a memorandum from Lisa Panetta dated 7 October 2014 re Voting Summary – Board only (agenda paper 2.2).

The Board noted that from 19 August 2014, the Board approved out of session the following documents and Exposure Drafts:

- (a) Basis for Conclusions to AASB 123 *Borrowing Costs*;



- (b) Exposure Draft ED 255 *Financial Reporting Requirements for Australian Groups with a Foreign Parent*;
- (c) Exposure Draft ED 256 *Removal of Cross-References from Financial Statements to Other Documents*; and
- (d) Erratum – Investment Entities.

In addition, Exposure Drafts ED 253 *Recognition of Deferred Tax Assets for Unrealised Losses* and ED 254 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* were issued under the Board's policy of delegated authority for the Acting Chair to issue the IASB Exposure Drafts ED/2014/3 *Recognition of Deferred Tax Assets for Unrealised Losses* and ED/2014/4 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* where there is no significant additional Australian material.

Comments on the proposals in Exposure Draft:

- (a) ED 253 are due by 20 November 2014 to the AASB and 18 December 2014 to the IASB;
- (b) ED 254 are due by 12 December 2014 to the AASB and 16 January 2015 to the IASB;
- (c) ED 255 are due by 24 November 2014 to the AASB; and
- (d) ED 256 are due by 28 November 2014 to the AASB.

Furthermore, Invitation to Comment ITC 32 *Reporting the Financial Effects of Rate Regulation* was issued under the Board's policy of delegated authority for the Acting Chair to issue the IASB consultation document Discussion Paper DP/2014/2 *Reporting the Financial Effects of Rate Regulation* where there is no significant additional Australian material. Comments are due by 15 December 2014 to the AASB and 15 January 2015 to the IASB.

## Other Business

Agenda Item 3

The Board noted:

- (a) a memorandum from Nikole Gyles dated 7 October 2014 re AASB Work Program – Standard Setting Directorate (agenda paper 3.1);
- (b) AASB Standard Setting Work Program and Meeting Pipeline as at 7 October 2014 [Board only] (agenda paper 3.1.1);
- (c) AASB Sub-committee membership as at 7 October 2014 (agenda paper 3.2) [Board only];
- (d) Memorandum from Mitchell Bryce and David Ji dated 7 October 2014 re October 2014 Communications Report Highlights (agenda paper 3.3) [Board only];
- (e) Communications Report for the period 20 August – 7 October 2014 (agenda paper 3.3.1) [Board only];



- (f) Letter from AASB Research Director to IASB dated 29 August 2014 re IASB Staff Request for Information – Business Combinations under Common Control (agenda paper 3.4);
- (g) Letter from AASB Acting Chair to IASB Chair dated 11 September 2014 re AASB comments on IASB Exposure Draft ED/2014/2 *Investment Entities: Applying the Consolidation Exception* (agenda paper 3.5);
- (h) Letter from AASB Research Director to Korea Accounting Standards Board dated 15 September 2014 re The Equity Method KASB Discussion Paper No. 18 (agenda paper 3.6);
- (i) Letter from AASB Acting Chair to IFRS Interpretations Committee Chair dated 18 September 2014 re Tentative Agenda Decisions on IAS 16 *Property, Plant and Equipment* (agenda paper 3.7);
- (j) Submission on ED 242 *Leases* [sub 17] (agenda paper 3.8);
- (k) Submission on ED 249 *Disclosure Initiative* [sub 8] (agenda paper 3.9);
- (l) Submission on ED 250 *Investment Entities Applying the Consolidation Exception* [subs 3-4] (agenda paper 3.10);
- (m) Submission on ITC 30 *Post-Implementation Review: IFRS 3 Business Combinations* [sub 6] (agenda paper 3.11);
- (n) Correspondence from constituents who have involvement with local government financial reporting – further feedback on AASB 13 (agenda paper 3.12.1);
- (o) Letters from AASB Acting Chair to Local Councils dated 9 September 2014 re AASB 13 disclosures for not-for-profit public sector entities (agenda paper 3.12.2);
- (p) Letter from AASB Acting Chair to Sydney Water Corporation dated 9 September 2014 re clarification on the use of cost approach under AASB 13 *Fair Value Measurement* (agenda paper 3.12.3);
- (q) Letter from Local Councils to AASB Chair re Amendment to the Definition Residual Value – AASB 116 (agenda paper 3.13); and
- (r) Letter from Terry Bowen, Wesfarmers Limited to IASB Chair re Leases Project dated 8 August 2014 (agenda paper 3.14).

## IFRS Interpretations Committee

### Agenda Item 4

The Board had before it:

- (a) a memorandum from Nikole Gyles and Mitchell Bryce dated 7 October 2014 re IFRS Interpretations Committee Update (agenda paper 4.1);
- (b) AASB staff issues paper – AASB Staff Summary of IFRS IC Decisions September 2014 (agenda paper 4.2); and
- (c) *IFRIC Update* September 2014 (agenda paper 4.3).



The Board received an update on the outcomes of the 16-17 September 2014 IFRS Interpretations Committee (the Committee) meeting and recent AASB staff responses to Committee staff outreach requests.

The Board noted the Committee's tentative agenda decision to remove the issue of accounting for costs arising from a levy raised on production property, plant and equipment. The Board concurred with the outcome, but expressed concern as to the wording provided by the Committee in the tentative agenda decision. In relation to the basis for not including the issue on the Committee's agenda, the Board decided to write to the Committee recommending the final agenda decision:

- (a) removes the wording that suggests the issue raised by the submitters is an isolated example; and
- (b) instead, notes the issue is too broad for the Committee to address.

The Board decided to finalise the letter to the Committee out of session via the Acting Chair.

Action:	Staff
	Acting Chair

## Recognition of Deferred Tax Assets for Unrealised Losses

### Agenda Item 7

The Board had before it:

- (a) a memorandum from Evelyn Ling and Nikole Gyles dated 7 October 2014 re Recognition of Deferred Tax Assets for Unrealised Losses – IASB Exposure Draft ED/2014/3 (agenda paper 7.1);
- (b) AASB staff issues paper – Recognition of Deferred Tax Assets for Unrealised Losses (agenda paper 7.2); and
- (c) ED 253 *Recognition of Deferred Tax Assets for Unrealised Losses* (agenda paper 7.3).

The Board discussed IASB Exposure Draft ED/2014/3 *Recognition of Deferred Tax Assets for Unrealised Losses* and formed tentative views on key comments to make in its submission to the IASB, subject to feedback to be received from constituents.

The Board decided to express general agreement with the underlying basis for the proposed amendments to IAS 12 *Income Taxes*. In addition, the Board decided to include a general comment in the submission that various aspects of IAS 12, including those relating to the recognition of deferred tax assets for unrealised losses, would benefit from a limited review focussing on clarifying and improving the principles underpinning IAS 12, rather than piecemeal amendments addressing specific practice issues.

The Board decided to express disagreement with the proposed transitional provisions, which would permit, but not require, entities to restate the opening retained earnings (or other component of equity, as appropriate) of the earliest comparative period presented. The Board would prefer the IASB to require limited retrospective application by requiring the current period's opening balance sheet to be restated for assets and liabilities existing on the date of initial application of the proposed amendments, including any adjustments within equity on that date.



The Board also decided to raise a comment as to whether the Illustrative Example could be more succinctly articulated.

The Board decided to finalise its submission to the IASB on ED/2014/3 out of session via the Chair.

Action:	Staff
	Chair

## Insurance Contracts

Agenda Item 8

The Board had before it:

- (a) a memorandum from Sue Lightfoot dated 7 October re: Insurance Contracts (agenda paper 8.1); and
- (b) appendix to Agenda Paper 8.1: Previous IASB redeliberations on ED/2013/7 *Insurance Contracts* (AASB ED 244) [for information only] (agenda paper 8.2).

The Board received an update on recent tentative decisions made by the IASB on its Insurance Contracts project. The Board requested the staff to reconfirm to IASB members the AASB's support for the IASB's tentative decision made in March 2014 that an entity should be able to make an accounting policy choice to present changes in discount rates either in profit or loss or in OCI and apply that choice by portfolio.

Other than this issue, the Board decided there were no further issues that needed to be raised again with the IASB at this stage.

Action:	Staff
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## Disclosure Initiative

Agenda Item 9

The Board had before it:

- (a) a memorandum from Lisa Panetta dated 7 October 2014 re IASB's Disclosure Initiative – Project Update (agenda paper 9.1);
- (b) AASB staff issues paper – Disclosure Initiative: Analysis of recent IASB decisions (agenda paper 9.2); and
- (c) AASB staff issues paper – Disclosure Initiative – Summary of IASB discussion (agenda paper 9.3)

The Board received an update on the recent tentative decisions made by the IASB in its Disclosure Initiative project.

The Board noted the tentative decisions made at the IASB's September 2014 meeting in relation to the following Disclosure Initiative projects:

- (a) Amendments to IAS 1 *Presentation of Financial Statements*;
- (b) Amendments to IAS 7 *Statement of Cash Flows*: reconciliation of liabilities related to financing activities;



- (c) Amendments to IAS 7: disclosure about restrictions on cash and cash equivalents;
- (d) Materiality, including accounting policy disclosures;
- (e) Current/non-current classification of liabilities; and
- (f) Distinction between a change in accounting policy and a change in accounting estimate.

Board members expressed concern about the IASB's tentative decision that the upcoming Amendments to IAS 7 ED on disclosure about restrictions on cash and cash equivalents should propose an example as the basis for clarifying the principle underpinning restrictions on cash and cash equivalents. The Board would prefer that the text of a standard articulates the principle, rather than relying on an example.

## **Fair Value Measurement: Unit of Account**

Agenda Item 10

The Board had before it:

- (a) a memorandum from Nikole Gyles and Evelyn Ling dated 7 October 2014 (Agenda Paper 10.1);
- (b) AASB staff issues paper – Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value (Agenda Paper 10.2); and
- (c) ED 254 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (Agenda Paper 10.3).

The Board discussed IASB Exposure Draft ED/2014/4 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* and formed tentative views on key comments to make in its submission to the IASB in relation to measurement, subject to considering feedback to be received from constituents.

In respect of the appropriate unit of account, the Board tentatively agreed:

- (a) with the IASB's proposal that the unit of account for investments in subsidiaries, joint ventures and associates is the investment as a whole;
- (b) there is a conceptual inconsistency between the ED proposals and paragraph 19 of IAS 28 that should be included as part of a general comment in the AASB's submission that the unit of account should be considered at a conceptual level rather than as a standards-level project; and
- (c) that the IASB's conclusion as to the appropriate unit of account should be reflected within the amended Standards. However, the Board asked staff to give consideration to the inconsistency in IAS 28 noted above when drafting this aspect of the submission;

However, having concluded that the unit of account is the investment as a whole, the Board expressed concern as to the relevance of using the quoted price (P) multiplied by the quantity of financial instruments held (Q) [i.e. (P x Q)] without adjustments, in measuring the fair value of such investments. The Board tentatively decided that the unadjusted amount of P x Q might not reflect the fair value of an investment held for sale as a whole, as it would not take into account the characteristics that market participants would





consider in pricing an investment that provides control or significant influence. The Board, however, acknowledged the objective and verifiable nature of quoted prices as Level 1 inputs, consistent with the AASB 13 *Fair Value Measurement* principle of maximising the use of observable inputs.

The Board also tentatively disagreed with the proposal that the recoverable amount of a cash-generating unit that corresponds to a quoted entity measured on the basis of fair value less costs of disposal should be measured as P x Q. The Board noted that it would disagree with this proposal regardless of whether the IASB proceeds with its proposal to require P x Q for measuring fair value.

The Board considered the application of the exception in paragraph 48 of IFRS 13 to a group of financial assets and financial liabilities whose market risks are substantially the same and whose fair value measurement is categorised within Level 1 of the fair value hierarchy. The Board tentatively agreed with:

- (a) the IASB's conclusion to require fair value be measured by measuring the net risk exposure and considering the number of financial instruments that make up the net position multiplied by the corresponding Level 1 prices; and
- (b) the inclusion of an Illustrative Example to IFRS 13 to illustrate the application of paragraph 48 of IFRS 13. The Board tentatively agreed to recommend to the IASB that the Application Guidance to IFRS 13 be amended to ensure clarification is made as part of the mandatory IFRS 13 material.

The Board will discuss the remaining issues, including transitional provisions and disclosure requirements, at its December meeting.

Action: Staff

## Dynamic Risk Management

### Agenda Item 11

The Board had before it:

- (a) a memorandum from Sue Lightfoot dated 7 October re: IASB Discussion Paper: Accounting for Dynamic Risk: A Portfolio Approach to Macro Hedging (agenda paper 11.1);
- (b) Notes from AASB Roundtables (agenda paper 11.2);
- (c) IASB Slides – roundtable on 4 September 2014 (agenda paper 11.3);
- (d) a draft submission on IASB Discussion Paper DP/2014/1: *Accounting for Dynamic Risk Management: A Portfolio Revaluation Approach to Macro Hedging* (tabled agenda paper 11.4); and
- (e) submissions on ITC 31 [sub 1-5] from constituents (agenda paper 11.5, including tabled papers).

The Board discussed a draft submission on IASB DP/2014/1 which was issued by the AASB as Invitation to Comment ITC 31. The AASB conducted roundtables in Melbourne and Sydney on 19 August and 4 September 2014 and IASB board members and staff were in attendance via videoconference from London. The AASB considered feedback from the roundtables and submissions received from Australian constituents. The Board noted its support for the IASB addressing concerns with macro hedge accounting,





and noted that more conceptual issues raised in the DP could be addressed by a longer-term research project, subject to the IASB's priorities for its research agenda.

Board members expected that a research project on behaviouralisation or risk management approach would be a significant project for the IASB. Board members also indicated their support for continuing to require derivatives to be at fair value.

The Board decided to finalise its submission to the IASB on DP/2014/1 out of session via the Financial Instruments Subcommittee.

Action: Staff  
Subcommittee

## Income from Transactions of Not-For-Profit Entities

### Agenda Item 13

The Board had before it:

- (a) a memorandum from Jim Paul and Glenn Brady dated 17 October 2014 (agenda paper 13.1);
- (b) AASB staff issues paper – *Identification and Recognition of Donations in the AASB ED on Income from Transactions of Not-For-Profit Entities* (agenda paper 13.2); and
- (c) Draft Australian Illustrative Examples for Not-For-Profit Entities [Related to Recognised Donations in Contracts with Customers] (agenda paper 13.3).

The Board continued its redeliberations of earlier tentative decisions regarding the identification, measurement and recognition of donation components of a not-for-profit (NFP) entity's contracts with its customers. The Board tentatively decided its forthcoming ED on Income from Transactions of NFP Entities should reflect the following views:

- (a) the identification of whether a contract with a customer includes a donation component to be accounted for separately requires a qualitative assessment, using the available evidence, of whether:
  - (i) the customer intended to provide a donation to the entity; and
  - (ii) the donation is separately identifiable from the goods or services promised in the contract. The Board noted that assessing whether a donation is separately identifiable from the goods or services promised in the contract is similar to the requirement in IFRS 15 *Revenue from Contracts with Customers* to determine whether a good or service promised to a customer is distinct. A NFP-specific factor that would indicate a donation is not separately identifiable is that retention of the donation is contingent on the NFP entity also transferring a good or service to the customer;
- (b) there is no need to make a consequential NFP modification of the requirements in AASB 9 *Financial Instruments* for identifying when to recognise a 'day one' gain or loss at initial recognition of a financial asset or a financial liability, such as a loan received at an off-market interest rate (i.e. as a



result of the transaction price of a financial asset or a financial liability at initial recognition differing from the fair value of that financial asset or financial liability). The need for a possible NFP modification was raised in the context of paragraph B5.1.2A of AASB 9, which states that 'day one' gains/losses at initial recognition of financial assets and financial liabilities arising from differences between the transaction price and fair value would only be recognised when the fair value is based on a Level 1 input or data from observable markets. However, Board members noted that paragraph B5.1.1 of AASB 9 does not refer to an evidence threshold for measuring a financial instrument at a different amount than transaction price (plus or minus transaction costs) at initial recognition. Paragraph B5.1.1 of AASB 9 states that: "The fair value of a financial instrument at initial recognition is normally the transaction price .... However, if part of the consideration given or received is for something other than the financial instrument, an entity shall measure the fair value of the financial instrument.";

- (c) if income from a separately identifiable donation component of a contract with a customer arises in the same period as revenue from transferring to that customer the goods or services promised in the contract, the donation income should be accounted for separately from the related revenue;
- (d) assessing whether a separately identifiable donation component of a contract with a customer is material (and therefore needs to be accounted for separately) should be made on an individual contract basis without reassessment at an aggregate or portfolio level, to help NFP entities avoid costs that would outweigh the related benefits to users of financial statements; and
- (e) if a NFP entity receives a donation of a good (e.g. an item of donated inventory) other than as part of a contract with a customer, assessing whether the donation is material should be made on an individual transaction basis without reassessment at an aggregate or portfolio level, to help NFP entities avoid costs that would outweigh the related benefits to users of financial statements. (This tentative decision does not affect the Board's earlier tentative decision regarding the criteria for requiring particular categories of NFP entities to recognise donations to them of volunteer services.) Consequently, the Board's ED on Income from Transactions of NFP Entities should include a proposed amendment to AASB 102 *Inventories* adding guidance on assessing the materiality of donations of inventories to NFP entities.

The Board directed staff to prepare a pre-ballot draft of the ED for initial comment by its Project Subcommittee (Ian McPhee, John O'Grady, Carmen Ridley, Taryn Rulton and Steve Mitsas), before circulating an amended pre-ballot draft ED to the Board. The ED is now targeted for publication in Q1 2015.

Action: Staff  
Subcommittee Members

## Conceptual Framework

Agenda Item 14

The Board had before it:



- (a) a memorandum from Jim Paul dated 7 October 2014 (agenda paper 14.1);
- (b) extracts from the AASB's submission dated 11 February 2014 on IASB Discussion Paper DP/2013/1: Review of IASB Conceptual Framework (agenda paper 14.2);
- (c) extracts from the supplementary paper to the AASB's submission on IASB DP/2013/1 [dated 6 June 2014] (agenda paper 14.3);
- (d) IASB Staff Paper for ASAF Meeting, September 2014: *Conceptual Framework – Project update and measurement* (agenda paper 14.4); and
- (e) AASB staff presentation – IASB Discussion Paper – 'A Review of the Conceptual Framework for Financial Reporting' (agenda paper 14.5) [Board only].

The Board received a progress report on the development of an ED for a revised IASB Conceptual Framework, which the IASB has targeted for issue during the first quarter of 2015. The Board reviewed the key comments in its submission and supplementary paper on IASB DP/2013/1 *A Review of the Conceptual Framework for Financial Reporting* (July 2013), in relation to measurement, capital maintenance and presentation in the statement of comprehensive income (i.e. the distinction between profit or loss and other comprehensive income (OCI)). The Board considered how it should approach commenting on the IASB ED if it reflects similar proposals to those in the DP. The Board did not consider, at this stage, which concerns would warrant including in its submission on the forthcoming IASB ED.

Board members indicated they stand by the key concerns expressed in the Board's responses on the above-mentioned topics in IASB DP/2013/1, including:

- (a) in relation to measurement – Board members disagreed with the IASB's tentative views that a single measurement basis (or model) for all assets and liabilities may not provide the most relevant information for users of financial statements and that a mixed measurement model should therefore be presumed in concept. Rather, Board members considered the IASB Conceptual Framework should identify an ideal concept of wealth and an ideal concept of changes in wealth from non-owner sources (economic income), to underpin the selection of a conceptually ideal measurement model and assist with conceptually identifying the total amount of economic income for a period. Board members considered operating capability is the most useful concept of wealth for financial reporting; and
- (b) in relation to profit or loss and OCI – Board members considered that an adequate conceptual case has not been made for splitting an entity's comprehensive income for a period into profit or loss and OCI, and disagreed in concept with recycling items of OCI into profit or loss.

Other comments made by Board members included:

- (a) various aspects of DP/2013/1 on which the Board's submission expressed concerns are symptomatic of articulating an operating framework to underpin particular treatments in accounting standards, rather than a conceptual framework that is independent of any particular standards-level objectives or decisions;



- (b) the Board's submission on the IASB's ED should reiterate that the IASB's Conceptual Framework should be viewed as a living document, which would, for example, cater for the IASB's research into the distinction between liabilities and equity as part of its research project on Financial Instruments with Characteristics of Equity;
- (c) the Board's submission on the IASB's ED should argue that, regardless of whether the IASB identifies conceptually ideal concepts of wealth and changes in wealth from non-owner sources, measuring assets and liabilities on a 'current cost' basis provides useful information to users of financial statements;
- (d) the IASB's research project on Discount Rates has the potential to lend support for the Board's argument (in its submission on DP/2013/1) that a more coherent approach to measurement should be taken in the IASB Conceptual Framework. The IASB's research team will document the measurement bases underpinning the various discount rates used in different IFRSs and review the differences between those measurement bases;
- (e) the Board's submission on the IASB's ED should express a view on whether all items of OCI should be recycled to profit or loss at some point (while noting the Board disagrees with bifurcating items of income and expense into profit or loss and OCI, and subsequently recycling OCI items through profit or loss); and
- (f) the IASB's tentative decision that its Conceptual Framework should include a rebuttable presumption that items of income and expense should be included in profit or loss unless the IASB concludes in a particular Standard that including an item of income or expense—or a component of such an item—in OCI would enhance the relevance of profit or loss as the primary source of information about an entity's performance for the period is a limited improvement on the DP's less restrictive approach to presenting items of income and expense in OCI.

At future meetings, the Board will continue considering issues expected to arise under the IASB ED. Board members asked staff to:

- (a) continue updating the Board on the IASB's tentative decisions in its redeliberations of its DP/2013/1 thinking;
- (b) prepare a paper on strategy alternatives for the Board's submission on the IASB ED. That paper should include discussion of the extent to which other parties expressed concerns similar to those of the AASB to the IASB on DP/2013/1 (particularly the DP's lack of conceptual elevation) and note opportunities to collaborate with other parties (in addition to the NZASB: see (c) below) in arguing for a more conceptually oriented Conceptual Framework;
- (c) share with staff of the NZASB drafts of the submissions of the Board and the NZASB on the IASB ED, to enmesh on this topic the work of the two boards' staffs;
- (d) include in the draft submission on the IASB's ED more acknowledgements of academic literature pertinent to the Board's main comments on the ED; and



- (e) provide more background information on the nature of 'bridging items' of OCI discussed in DP/2013/1 and how best to respond to the DP's arguments to presenting them in OCI.

Action:

Staff

## Research Report

### Agenda Item 15

The Board had before it a memorandum from Angus Thomson dated 7 October 2014 re Research Centre activities update (agenda paper 15.1).

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

- (a) AASB staff response to IASB staff regarding the IASB's research project on Business Combinations Under Common Control;
- (b) AASB staff presented a comparison of IAS 26 *Retirement Benefit Plans* and AASB 1056 *Superannuation Entities* to seek views of those attending the recent International Forum of Accounting Standard Setters (IFASS) meeting on whether the IASB should include a review of IAS 26 on its work program;
- (c) AASB staff are monitoring developments in regard to the Government's proposed Emission Reduction Fund to position the Board to address any financial reporting implications;
- (d) continuing research on potential directions for a differential reporting framework; and
- (e) AASB staff comments to IPSASB staff concerning the fatal flaw draft of the IPSASB's Conceptual Framework.

## Service Performance Reporting

### Agenda Item 17

The Board had before it:

- (a) a memorandum from Joanna Spencer dated 7 October 2014 re Service Performance Reporting (agenda paper 17.1);
- (b) AASB staff issues paper – Service Performance Reporting – Objective of Service Performance Reporting (agenda paper 17.2);
- (c) AASB staff issues paper – Service Performance Reporting – Overview of Board Decisions to September 2014 (agenda paper 17.3); and
- (d) a memorandum from Joanna Spencer dated 17 October 2014 re Service Performance Reporting – Project Plan (agenda paper 17.4).



The Board discussed developing an objective for Service Performance Reporting (SPR) and decided that it would have regard to the objectives articulated in the IPSASB and NZASB Service Performance Reporting (SPR) projects when developing an objective for the AASB's SPR project.

Consequently, the Board tentatively decided that the objective of SPR should:

- (a) not refer to internal management as a user;
- (b) specifically discuss the notion of accountability as a part of decision making;
- (c) refer to the 'delivery of goods and/or services' ; and
- (d) refer to 'resources' rather than 'financial information'.

The Board decided that the wording of the objective of SPR would be finalised later in the project but that the tentative decisions provide sufficient direction for staff to continue developing a draft Exposure Draft (ED).

The Board also noted a high-level project plan that anticipates a SPR ED being issued in Q4 2015.

Action: Staff

## International Meetings Update

Agenda Item 19

The Board had before it:

- (a) a memorandum from Sue Lightfoot and Joanna Spencer dated 7 October re: International Meetings Update (agenda paper 8.1);
- (b) IPSASB September 2014 meeting report from Joanna Spencer dated 7 October 2014 (agenda paper 19.2)
- (c) IPSASB Meeting Highlights – September 2014 (agenda paper 19.3).

### **IPSASB**

The Board received a report on the September 2014 meeting of the IPSASB. The Board particularly noted that the IPSASB:

- (a) had finalised and approved its Conceptual Framework (CF), which is expected to be issued in October or November 2014. Of specific note was that the IPSASB CF includes a measurement objective; deferred inflows and deferred outflows have not been defined as separate elements but are now referred to as 'other resources' and 'other obligations'; and within the Presentation chapter, the IPSASB has maintained the proposed distinction between 'display' and 'disclosure';
- (b) discussed its future governance arrangements, noting feedback on a consultation paper issued by The IPSASB Governance Review Group that supported establishing a separate monitoring and oversight body for the IPSASB under the auspices of the International Federation of Accountants;
- (c) reviewed responses to ED 54 *Reporting Service Performance Information*, most of which supported the approach taken in the ED. The IPSASB confirmed the definitions in the ED and that the





Recommended Practice Guideline (RPG) should not include illustrative case studies. A draft RPG is planned to be considered at the December 2014 IPSASB meeting;

- (d) reviewed changes to draft International Public Sector Accounting Standards (IPSASs) arising from EDs 48–52 on Accounting for Interests in Other Entities. Final drafts of those IPSASs are planned to be considered for approval at the December 2014 IPSASB meeting;
- (e) reviewed changes to a draft IPSAS *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*, in particular the provision of transitional relief for interests in other entities and in preparing consolidated financial statements. A revised draft is planned to be considered for approval at the December 2014 IPSASB meeting;
- (f) discussed public sector combinations and decided that the primary consideration in classifying a combination is whether the entities were either under common control or not under common control (rather than whether the combination was an amalgamation or an acquisition);
- (g) discussed its project on Public Sector Financial Instruments, in particular the definition of ‘monetary gold’; and
- (h) discussed its project on Social Benefits, specifically the social contract and social insurance approaches.

## **ASAF**

The Board received a report on the IASB’s Accounting Standards Advisory Forum (ASAF) meeting held in September 2014, in which AASB representatives participated.

The Board noted the topics discussed at the meeting included Leases, Discount Rates, IFRS 3 *Business Combinations* Post Implementation Review, the IASB Conceptual Framework, Insurance Contracts, the Disclosure Initiative and Equity/Liabilities. AASB Board members expressed concern about the support from other jurisdictions for reintroducing amortisation of goodwill.

## **AOSSG**

The Board noted that the Asian-Oceanian Standard-Setters Group (AOSSG) met in London on 28 September 2014. The Board noted the topics discussed included the Conceptual Framework, Insurance Contracts, Accounting for Dynamic Risk Management and IFRS 15.

## **WSS and IFASS**

The Board noted that AASB representatives participated in the IASB’s World Standard-Setters (WSS) meeting and the IFASS meeting between 29 September and 1 October 2014. AASB staff also presented a paper on AASB 1056 (see also agenda item 15) at the IFASS meeting.

## **IASB Research Forum**

The Board noted that AASB representatives participated in the inaugural IASB Research Forum in conjunction with Accounting and Business Research journal on the topic of the IASB Conceptual Framework. The Forum was held at the Saïd Business School in Oxford on 2 October 2014. It was noted that Ann Tarca,





AASB Board member, was instrumental in helping to organise the Forum and moderated a panel session at the event.

Action: Staff

## Close of Meeting

The Acting Chair closed the meeting at 12.25 p.m. on Thursday 23 October 2014.

## Approval

Signed by the Chair as a correct record  
this seventeenth day of December 2014