



AASB OUTCOMES AND FUTURE DIRECTIONS – 2011-2012

The purpose of this document is to identify the outcomes the AASB plans to achieve in 2011-2012, including the work it plans to do in setting its future directions, rather than being a business plan.

The Board last conducted an analysis of its strategies at its March 2010 meeting at which the AASB's strengths, weaknesses, opportunities and threats were analysed. The AASB decided it will conduct another similar session in 2012 before updating its business plan.

AASB Purpose and Functions

In the context of the budget statements and allocation of resources to government agencies, the Portfolio Outcome for the AASB as a Commonwealth government agency in the broader national policy context is the formulation and making of accounting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions.

Consistent with the AASB's enabling legislation (the *Australian Securities and Investments Commission Act 2001*), in meeting the Outcome, the AASB:

- makes accounting standards under section 334 of the *Corporations Act 2001* for the purpose of the financial reporting requirements of the Corporations legislation and providing guidance on the interpretation of those standards;
- formulates accounting standards for the purposes of financial reporting by Australian entities that are not subject to the reporting requirements of the Corporations legislation and providing guidance on the interpretation of those standards; and
- participates in, and contributes to, the development of a single set of accounting standards for worldwide use.

The AASB will communicate and consult widely with its many constituencies in the course of its work.

Environmental Analysis

1. Maintaining Compliance

Government policy is to adopt International Financial Reporting Standards (IFRSs) and keep pace with IFRSs as they change.

At present the International Accounting Standards Board (IASB) is undertaking a major overhaul of a number of key IFRSs (Financial Instruments, Revenue and Leases) and is in the process of filling some long-standing gaps (Insurance Contracts).

Accordingly, the AASB needs to be prepared for an avalanche of new standards soon.

2. Rejuvenating Public Sector Agenda

There is a reasonable expectation among the AASB's public sector constituents that, as well as considering public sector issues in the context of adopting IFRSs, resources will be devoted to projects of specific benefit to public sector reporting entities.

Accordingly, the AASB has recently re-structured its domestic agenda and a number of projects of specific public sector interest (such as, Control in the Public Sector) are well underway.

3. Contributing to the work of the IPSASB

The AASB has a long-standing relationship with the IPSASB and will continue to make a solid technical contribution to the work of that Board in the interests of promoting high-quality global standards. The AASB's involvement with the IPSASB is aimed at helping to progress projects of specific significance to the public sector (such as Grantor accounting for Service Concession Arrangements) and to encourage the IPSASB to conduct its work in a complementary manner to the work of the IASB and avoid there being competing Standards and/or double-handling of issues.

4. Addressing Private Sector Not-for-profit Entities

There is a reasonable expectation among the AASB's private sector not-for-profit constituents that, as well as considering not-for-profit issues in the context of adopting IFRSs, resources will be devoted to projects of specific benefit to private sector not-for-profit reporting entities.

Accordingly, the AASB is progressing a number of projects of specific private sector not-for-profit interest (such as, Service Performance Reporting) are well underway.

5. Achieving Cross-Tasman Harmonisation

The Boards have been working on convergence issues for some years to promote harmonisation of financial reporting standards across the Tasman. The Boards' efforts were given impetus by the Joint Prime Ministerial Statement of Intent and the Single Economic Market Outcome Proposals issued by the then Prime Ministers of both countries in August 2009, which was revised in June 2010.

The specific outcome sought is to enable entities, from an accounting standards perspective, to prepare only one set of financial statements that would be recognised in both jurisdictions. The Joint Prime Ministerial Statement of Intent notes that such an outcome would allow a reduction in compliance costs for entities operating across the Tasman and it would support Trans-Tasman investment through the consistency of financial statements.

The project is divided into the following three phases:

- (a) Phase 1 is harmonisation of financial reporting requirements across the Tasman in relation to (Tier 1) for-profit entities that assert compliance with IFRSs. The Boards were keen to first address differences from IFRSs and between Australian and New Zealand Standards as they apply to for-profit entities, on the basis that such entities are the most likely to claim compliance with IFRSs and trade across the Tasman. The Boards have already achieved this outcome.
- (b) a possible Phase 2 would specifically address differences affecting private not-for-profit entities; and
- (c) a possible Phase 3 would address differential reporting and qualifying entity differences.

The AASB is awaiting New Zealand developments before undertaking any further work on the possible Phases 2 and 3.



6. Leading International Thought / Fostering Relationships

In order to be an effective contributor to global standard setting and an effective national standard setter, the AASB maintains strong relationships with the IASB, the IPSASB and other national standard setters – bilaterally (including with New Zealand), through the Asian-Oceanian Standard-Setters Group (AOSSG), and the National Standards Group (NSS).

7. Differential Reporting

The AASB introduced Reduced Disclosure Requirements for general purpose financial statements in June 2010 that can be applied by ‘Tier 2’ entities.

The AASB is conducting research into special purpose financial reporting and the use of the ‘reporting entity’ notion, which may lead to further enhancements to the differential reporting framework.

Many other jurisdictions are re-considering their differential reporting requirements and the AASB is closely monitoring those developments.

8. Other Domestic projects

The AASB must meet the need for specific domestic Standards that are not met by IFRSs, including revising the Australian Standard for Reporting by Superannuation Entities.

The AASB has also been removing from its Standard those matters considered to be more in the nature of governance and not covered by IFRSs.

9. Reducing Complexity in Financial Reporting

The AASB’s Reduced Disclosure Requirements have helped simplify reporting for Tier 2 entities preparing general purpose financial statements.

In the context of standard setting more broadly, an outcome of the Global Financial Crisis was a number of recommendations from the G20 and the Financial Reporting Advisory Group (established by the IASB and FASB). Those recommendations include reducing complexity (particularly for financial instrument accounting) and improved loan loss accounting.

Although many of the projects needed to address these recommendations were already in process before the GFC, those recommendations have led to a re-focus on particular issues. The AASB has devoted considerable resources to participating in the international debate on these issues, particularly from an Asian-Oceanian regional perspective.

10. Strengthening Communication

The AASB has long appreciated the need for strong communication with its various constituencies and has devoted considerable resources to its website (including updates and alerts), Project Advisory Panels, and presentations at conferences.

11. Retaining and Developing Talented Staff

Accounting standard setting is a specialist area and the AASB relies on having talented technical staff who can debate issues and show thought leadership at the domestic and international level. Accordingly, it is important to be in a position to be able to attract staff and retain staff who are capable of being developed into, or who are already, strong technical thinkers and communicators.



12. Other issues, including Use of Technology and Regulatory Responsibilities

The AASB needs to communicate effectively with a wide network nationally and internationally and aims to employ and maintain its website and video-conferencing capacities accordingly.

There are significant regulatory demands on the AASB, including the compilation of Accounting Standards (to cope with the many and ongoing changes the IASB makes to IFRSs), dealing with the Office of Best Practice Regulation, dealing with the custodians (the ASIC and Standard Business Reporting Initiative) of the XBRL financial reporting taxonomy, and dealing with other regulators (such as the ASIC, the APRA and the ATO) on matters of mutual interest.

1 Maintaining Compliance with IFRSs

- 1.1 Government policy is to adopt IFRSs and keep pace with IFRSs as they change.
- 1.2 Australia is one of only a few jurisdictions that manage to keep pace with the IASB in terms of the timely adoption of new and revised IFRSs. This means there is a significant workload at times for both the AASB members and staff as it necessitates the AASB being up-to-date across all of the IASB's current projects.
- 1.3 The AASB's timeliness is a benefit to Australian entities seeking to early adopt relevant standards (early adoption is normally permitted) and gain the benefits of improved financial reporting on a timely basis. The AASB's timeliness has also enhanced Australia's reputation as a jurisdiction that acts quickly and decisively.
- 1.4 Being up-to-date also facilitates the AASB responding to the IASB's ongoing deliberations on a timely basis and contributing to the IASB's thinking in the interests of achieving the best outcomes.
- 1.5 Four major project areas are due to be completed by the IASB in 2011-2012 – Financial Instruments, Leases, Revenue and Insurance Contracts. These projects are important to the IASB in meeting its commitments in relation to the recommendations of the Financial Crisis Advisory Group and the G20, and to the convergence of IFRSs and US GAAP.
- 1.6 The AASB plans to continue to monitor these projects carefully with a view to being in a position to adopt them on a timely basis. However, the AASB is also mindful that the IASB's due process has evolved in relation to these projects to target narrow groups of constituents on selected issues. The need appears to have arisen because the views of the IASB have been changing radically on some projects from their original proposals.
- 1.7 While the targeted IASB consultation may suit the IASB's purposes, it may not be helpful for national standard setters (such as the AASB) trying to keep pace with the IASB and ensure its domestic constituency is adequately informed and has appropriate opportunities to participate in the standard setting process. Accordingly, the AASB plans to seek greater access to the IASB due process research and conduct further due process of its own when needed, which may delay the adoption of some IFRSs. (Also refer to Section 10.)
- 1.8 In practical terms, the AASB will continue to:
 - (a) release all formal IASB consultative documents in Australia and, where necessary, conduct roundtable discussions and site visits to discuss issues with constituents;



- (b) respond to all formal IASB consultative documents and, where feasible, any informal requests for information;
 - (c) closely monitor IASB projects as they develop and make comments to the IASB when we consider that necessary;
 - (d) facilitate dialogue between the IASB and Australian constituents;
 - (e) issue Australian standards adopting new and revised IFRSs on a timely basis, where feasible.
- 1.9 Appendix A shows the plan for the coming year for maintaining compliance with IFRSs. A recurring theme is the need for multiple IASB Exposure Drafts on major topics, which has greatly extended the resources required to deal with each project at the national level.

2 Rejuvenating the Public Sector Agenda

- 2.1 The AASB has been re-structuring its agenda on issues specifically impacting on public sector entities. Those projects, which are outlined in Appendix B together with projects addressing private sector not-for-profit entity issues, are as follows:
- (a) GAAP/GFS Harmonisation – Whole of Government and General Government Sector;
 - (b) Not-for-Profit Entities within the General Government Sector;
 - (c) Revenue of Not-for-Profit Entities;
 - (d) Public Sector Conceptual Framework, including Public Sector Perspective on IASB Conceptual Framework;
 - (e) Service Concession Arrangements – Grantor Accounting;
 - (f) Emissions Trading Schemes (Government Perspective);
 - (g) Borrowing Costs of Public Sector Not-for Profit Entities; and
 - (h) Related Party Disclosures by Public Sector Not-for-Profit Entities.
- 2.2 The AASB is arranging symposiums in Melbourne and Sydney for August 2011 that will bring together key public sector and private sector not-for-profit constituents and AASB members and staff to discuss the AASB's work plan and how best to meet constituent needs.

3 Contributing to the work of the International Public Sector Accounting Standards Board (IPSASB)

- 3.1 The AASB responds to all formal IPSASB consultative documents and, where feasible, any informal requests for information. The AASB Chairman is a member of the IPSASB's Conceptual Framework Review Panel.
- 3.2 A senior member of the AASB staff is the Technical Advisor to Australia's IPSASB representative, which involves co-ordinating the relevant AASB staff to comment on IPSASB agenda materials and attending IPSASB meetings. This includes pre-meeting



briefings, which are conducted jointly with New Zealand's IPSASB representative and relevant staff of the New Zealand standard setter.

- 3.3 Australia's IPSASB representative has observer status at AASB meetings.
- 3.4 The AASB plans to continue responding to formal and informal requests for information by the IPSASB and to continue supporting Australia's IPSASB representative.

4 Addressing Private Sector Not-for-profit Entity Issues

- 4.1 The AASB liaises closely with its private sector not-for-profit entity constituencies to help ensure that the Standards remain relevant to user needs in that sector. The AASB is arranging symposiums in Melbourne and Sydney for August 2011 that will bring together key private sector not-for-profit and public sector constituents and AASB members and staff to discuss the AASB's work plan and how best to meet constituent needs.
- 4.2 An example of the impact of that monitoring is the AASB's recent issue of a Standard that amends AASB 127 *Consolidated and Separate Financial Statements* (which incorporates IAS 27), AASB 128 *Investments in Associates* (which incorporates IAS 28) and AASB 131 *Interests in Joint Ventures* (which incorporates IAS 31) to extend the relief from consolidation, the equity method and proportionate consolidation to not-for-profit parent entities. The relief matches the relief available to for-profit entities under IFRSs.
- 4.3 The AASB has been devoting more resources to issues specifically impacting on private sector not-for-profit entities. Those projects, which are outlined in Appendix B together with projects addressing public sector issues, are as follows:
 - (a) Control in the Not-for Profit Sector; and
 - (b) Service Performance Reporting.

5 Achieving Cross-Tasman Harmonisation

- 5.1 The AASB and the New Zealand FRSB have been working on convergence issues for some years to promote harmonisation of financial reporting standards across the Tasman. The Boards' efforts were given impetus by the Joint Prime Ministerial Statement of Intent and the Single Economic Market Outcome Proposals issued by the Prime Ministers of both countries in August 2009, which was revised in June 2010.
- 5.2 In May 2011, the two Boards issued new and amending Standards that will enable publicly accountable for-profit entities, from an accounting standards perspective, to prepare only one set of financial statements that would be recognised in both jurisdictions. The Joint Prime Ministerial Statement of Intent notes that such an outcome would allow a reduction in compliance costs for entities operating across the Tasman and it would support Trans-Tasman investment through the consistency of financial statements. The two Boards have called on the Treasury/Ministry of Economic Development to address a number of legislative matters (outside the purview of standard setting) relating to mutual recognition of financial statements to enable the full benefits of harmonisation to be realised.



- 5.3 A further phase of the harmonisation work is intended to address Tier 2 (non-publicly accountable) for-profit entity financial reporting. Progress on this phase will depend to a large extent on the approach adopted by the New Zealand Accounting Standards Board (NZ ASB), which formally commences operation in July 2011.
- 5.4 Another possible phase of the harmonisation work would address private sector not-for-profit entity financial reporting. Again, any progress on this phase will depend to a large extent on the approach adopted by the NZ ASB.

6 Leading International Thought / Fostering Relationships

- 6.1 In order to be an effective contributor to global standard setting and an effective national standard setter, the AASB maintains strong relationships with the IASB, the IPSASB and other national standard setters – bilaterally (including with New Zealand), through the Asian-Oceanian Standard-Setters Group (AOSSG), and the National Standards Group (NSS).

Asian-Oceanian Standard-Setters Group (AOSSG)

- 6.2 The AASB is prominently positioned at the AOSSG, which comprises national standard setters from 25 jurisdictions in the region, including all the major Asian economies. The AASB Chairman is Vice-Chairman of the AOSSG and will become Chairman in November 2011, when the AASB hosts the annual AOSSG meeting in Melbourne. (refer to Appendix C Schedule of Key Events)
- 6.3 The AOSSG's main aim is to contribute to the development of IFRSs and their adoption in the region. The AOSSG is helping to channel ideas from the region into the IASB and provide balance with the influences from Europe and North America.
- 6.4 The AOSSG's annual meeting is supplemented by informal meetings that are scheduled around other events, such as IFRS Regional Policy Forums. A Chairman's Advisory Council comprising founding AOSSG members also meets by telephone approximately every six weeks.
- 6.5 The AASB plans to promote and administer the AOSSG in a way that helps ensure its continuity as an influential promoter of IFRS adoption.
- 6.6 The AASB leads the AOSSG Working Group on Financial Instruments and has gained recognition as a thought leader in this field, having liaised with other AOSSG members and crafted the AOSSG's responses to the IASB's Exposure Drafts on Impairment of Financial Assets, Hedging and Offsetting Financial Assets and Financial Liabilities.
- 6.7 The AASB leads the AOSSG Website Working Group and the AOSSG launched its website (www.aossg.org) in November 2010. The AASB manages the ongoing operation of the website and its work is acknowledged and valued by other AOSSG members.
- 6.8 The AASB is also a member of the AOSSG Working Groups on Revenue, Financial Statement Presentation, Leases, Insurance Contracts and Financial Reporting relating to Islamic Finance. In contributing to these Working Groups, the AASB plans to continue to consolidate its reputation for technical expertise.
- 6.9 The AASB will undertake thought leadership projects in partnership with other AOSSG members (such as on Discounting with Hong Kong).



National Standard-Setters Group

- 6.10 NSS is an informal grouping of standards setters, including those from most of the world's major economies. The main focus of NSS is to contribute to the IASB's work program. The NSS meets twice a year.
- 6.11 The AASB is leading projects on three topics in this forum – a research study on Intangible Assets, a 'Conceptual' Framework for NSS and Disclosure Framework aimed at establishing principles for disclosure requirements. Each of these projects will make a lasting contribution to the work of the NSS and the IASB.

New Zealand

- 6.12 The AASB has developed a strong relationship with the FRSB, with a number of the important projects affecting not-for-profit entities being joint projects of the two Boards. The Boards have also conducted a number of joint meetings.
- 6.13 The AASB will closely monitor the changed New Zealand standard setting structure with a view to maintaining a productive working relationship with the NZ ASB.

7 Differential Reporting

Tier 2 entities

- 7.1 The AASB introduced a second tier of general purpose financial reporting in Australia in 2010, which takes effect in 2013, but can be adopted early. The AASB understands that some entities have already taken advantage of this initiative to cut the cost of financial reporting without adversely impacting user needs and early adopted the Tier 2 requirements.
- 7.2 The AASB has taken the view that general purpose financial statements in Australia should all be prepared using the same recognition and measurement requirements, and entities that are not publicly accountable can use Tier 2, which has far fewer disclosure requirements.
- 7.3 The definition of 'public accountability' incorporates the IASB's definition and the principles for determining the disclosures required of Tier 2 entities are those applied by the IASB in determining the disclosures under the *IFRS for SMEs*.
- 7.4 The AASB plans to keep its Tier 2 reporting requirements up-to-date relative to the changes in Tier 1 (IFRS) requirements. This involves seeking the views of Australian constituents on the relevance to Tier 2 entities of proposed new and revised IFRS disclosure requirements.

Research into special purpose financial reporting

- 7.5 Research is underway to ascertain the nature of special purpose financial statements and the entities that lodge them with a view to informing the AASB's thinking on further potential reforms to general purpose financial reporting. In particular, the research will be important in helping to form the AASB's views about the use of the 'reporting entity' concept in the application of Standards.
- 7.6 The research covers samples of financial statements lodged with the Australian Securities and Investments Commission and with State-based regulators.



Monitoring overseas developments

- 7.7 Many jurisdictions are re-thinking their differential reporting arrangements, either because they are in the process of adopting or converging with IFRSs or because they are considering whether they might usefully adopt the IASB's *IFRS for SMEs*.
- 7.8 The AASB is monitoring developments on the basis that it may help inform Australia's choices on differential reporting. To-date, the proposals in the major jurisdictions have helped to reinforce the AASB's view about not adopting the IASB's *IFRS for SMEs*.

8 Other Domestic projects

Superannuation

- 8.1 The AASB has been working on important reforms to the reporting requirements applying to superannuation entities. The AASB plans to issue a further Exposure Draft on financial reporting by superannuation plans that seeks input on selected issues. The AASB plans to have a replacement for the existing Standard by early 2012.
- 8.2 The AASB's proposals are largely consistent with IFRSs, but differ in certain ways in order to best cater for user needs in Australia's superannuation environment. It is relevant to note that the UK and Canada, which like Australia have adopted IFRSs, are retaining separate GAAP for superannuation plans.

Individual KMP disclosure

- 8.3 Based on feedback from two recent Exposure Drafts (one connected with New Zealand convergence), the overwhelming view of constituents is that individual key management personnel (KMP) disclosures are governance matters that should not be included in accounting standards. The AASB has issued an Amending Standard that removes the additional individual KMP disclosures from 2013, and brings the Australian Standards in line with IFRSs and New Zealand Standards on this matter.

9 Reducing Complexity in Financial Reporting

Corporations Act Reforms Connected with Financial Reports

- 9.1 The AASB has urged that simplifications be made to the Corporations legislation in relation to parent entity reporting and the circumstances under which dividends can be paid. Accordingly, the AASB is a keen supporter of the recent changes to the law in respect of these matters.

Differential Reporting

- 9.2 The AASB's recent introduction of reduced disclosure requirements for general purpose financial statements (refer to Section 7) have reduced the complexity for most entities required to report. The AASB's research into general purpose financial reporting also has the potential to lead to reforms that simplify the reporting landscape for a wide range of entities.

Cross-Tasman Harmonisation

- 9.3 The cross-Tasman harmonisation work of the AASB and the New Zealand standard setter has enabled the reduction of regulatory requirements for entities operating in both jurisdictions (refer to Section 5).



IFRS simplifications

- 9.4 The AASB has been a keen supporter of the IASB's program of simplifying the financial instruments standards. Australia was among the first jurisdictions to make IFRS 9 *Financial Instruments* available to enable them to adopt the simplified two-category classification and measurement approach to financial assets.
- 9.5 In its submissions to the IASB, the AASB has also consistently championed the simplification of financial reporting requirements by emphasising the need for consistency (across different topics) and the application of a principle-based approach to the requirements.

10 Strengthening Communication with Constituents

- 10.1 The AASB's objective is to remain actively engaged with its constituents to help ensure the Board and staff remain apprised of constituents' views and concerns, to ensure that the AASB's due process has been adequate, and as a means of communicating the latest developments in standard setting.

Presentations

- 10.2 As part of the AASB's strategy for maintaining and promoting relationships with constituents, it is planned that AASB staff maintain the practice of presenting at relevant conferences. A considerable number of presentations are already scheduled between now and December 2011 at conferences organised by the Professional Accounting Bodies.

Targeted Consultation

- 10.3 The AASB maintains a number of Project Advisory Panels comprising selected individual constituents with an interest and expertise in particular topics. The AASB has also found that, when proposals are issued for constituent feedback, it is insufficient to rely on written responses and, accordingly face-to-face meetings with key constituents are essential to draw out the relevant views. The AASB plans to continue these forms of targeted consultation.
- 10.4 As noted in Section 1, the IASB has increasingly been engaging in narrow and targeted consultation. The AASB plans to review the use of its network of contacts with the aim of ensuring that its due processes adequately cover all the key issues relevant to the completion of each project. This may involve extending the roles of some Project Advisory Panels and the creation of new Panels.

Research

- 10.5 In the process of conducting research on projects, such as Control in the Not-for-Profit Sector and Service Performance Reporting, the AASB plans to continue to directly obtain the views of constituents through interviews and focus sessions.

FRC

- 10.6 The FRC membership represents a broad range of constituencies and is an important channel for two-way communication. The AASB reports regularly on its activities to the FRC and receives feedback from FRC members on key issues.



11 Retaining and Developing Talented Staff

- 11.1 Accounting standard setting is a specialist area and the AASB relies on having talented technical staff who can debate issues and show thought leadership at the domestic and international level. Accordingly, it is important to be in a position to be able to attract staff and retain staff who are capable of being developed into, or who are already, strong technical thinkers and communicators.
- 11.2 There has been higher than average staff turnover in 2010-2011, including three permanent staff departures and two secondees (from Deloitte and KPMG) finishing up. Three new staff members have joined the AASB (in February, April and May), and a further person has been contracted from September 2011.
- 11.3 Two staff are seconded out for an extended period – one at the IASB and one at the UK Accounting Standards Board.
- 11.4 The AASB's strategy is to lessen its reliance on secondees (other than to fill temporary 'gaps') in order to better plan for the next generation of leaders in Australian standard setting. This is seen as particularly important in view of the number of senior staff who may retire in the next five to ten years.
- 11.5 The AASB plans to continue to second out staff for extended periods as a means of having them obtain relevant international experience.
- 11.6 The AASB supports staff undertaking further relevant study. In 2011-2012 staff will be participating in courses on Applied Finance and Financial Analysis.

12 Other functions

Relationship with Financial Reporting Council (FRC)

- 12.1 The AASB maintains a sound working relationship with the FRC and FRC staff with a view to being informed about any likely impacts of FRC thinking on the AASB's activities. The AASB Chairman is a member of the FRC and maintains ongoing communication on matters of mutual interest, primarily through direct contact with the FRC Chairman. AASB staff regularly provide assistance to FRC staff on technical and other matters.

Use of Technology

- 12.2 The AASB is making increasing use of its video-conferencing facilities, particularly as a means of enhancing its communication with members of the AOSSG and to save on travel costs. The Chairman (in his capacity as AOSSG Vice-Chairman) and Research Director plan to continue to meeting monthly via video-conference with the Accounting Standards Board of Japan Chairman (in his capacity as AOSSG Chairman) and staff on AOSSG matters, and via telephone with the AOSSG Chairman's Advisory Committee members (ten jurisdictions).
- 12.3 The Chairman is a member of the New Zealand standard setter and plans to continue attending selected meetings via video-conference. Joint meetings between the AASB and the FRSB were conducted via video-conference over the past year.

Compilations

- 12.4 Compilations of standards (versions of standards updated for amendments) for application for the 30 June 2012 year end will be available on the AASB's website



soon. These will incorporate compilations of standards incorporating Tier 2 ‘shading’ for early application by entities that are not publicly accountable.

Regulation Impact Statements

- 12.5 The AASB has been focused on providing information on pending projects to the Office of Best Practice Regulation in the interests of having assessments about the need for Regulation Impact Statements or the review of draft Regulation Impact Statements well in advance of the time the AASB needs to progress a Standard. This has been challenging in the current environment of changing IASB timetables and the ongoing changes to IASB proposals.

Standard Business Reporting

- 12.6 AASB staff continue to be engaged in providing limited quality assurance on the Standard Business Reporting Initiative’s financial reporting XBRL taxonomy. AASB staff monitor developments in XBRL as it impacts on financial reporting by maintaining a network of contacts in government, the accounting profession and among the software providers through membership of XBRL consultative groups.

Integrated Reporting

- 12.7 AASB staff monitor developments in ‘integrated reporting’ as they might impact on general purpose financial reporting by monitoring the activities of the Business Reporting Leaders Forum, which has connections with the International Integrated Reporting Committee. The AASB Chairman is a member of the FRC’s Taskforce on integrated reporting.

Appendix A

Maintaining compliance with IFRSs (key projects)

Financial Instruments

IAS 39 *Financial Instruments: Recognition and Measurement* (AASB 139) is being replaced in stages to meet G20 recommendations for more timely recognition of loan losses and for less complexity in the relevant accounting requirements. The replacement IFRS [IFRS 9 (AASB 9)] so far incorporates changed requirements for financial asset measurement and financial liability presentation.

Revisions to IFRS 9 relating to Financial Asset Impairment, General Hedge Accounting and the Offsetting of Financial Assets and Liabilities are projected to be completed in Q1 or Q2 of 2012, in which case, the AASB would issue the same revisions to AASB 9 shortly thereafter.

A further IASB Exposure Draft on Financial Asset Impairment is planned for Q3 of 2011. An IASB Exposure Draft on Portfolio Hedge Accounting is expected later this year. The AASB will also release both of these in Australia for comment and make its own submissions to the IASB.

The existing mandatory application date for IFRS 9 (AASB 9) is periods beginning on or after 1 January 2013. This may need to be reconsidered in respect of the planned additions to IFRS 9 (AASB 9).

Leases

A further IASB Exposure Draft on Leases is planned for Q3 of 2011, which the AASB will also release in Australia for comment and on which the AASB will also make its own submission to the IASB.

A new IFRS to replace IAS 17 *Leases* (AASB 117) is projected to be completed in Q1 or Q2 of 2012. The AASB would normally issue the same new Standard shortly thereafter; however, consideration may need to be given to having further consultation in Australia, depending on how the IASB proceeds over the next few months.

Revenue

A further IASB Exposure Draft on Revenue is planned for Q3 of 2011, which the AASB will also release in Australia for comment and on which the AASB will also make its own submission to the IASB.

A new IFRS to replace IAS 18 *Revenue* (AASB 118) is projected to be completed in Q1 or Q2 of 2012. The AASB would normally issue the same new Standard shortly thereafter; however, consideration may need to be given to having further consultation in Australia, depending on how the IASB proceeds over the next few months.

Insurance Contracts

A further IASB Exposure on Insurance Contracts is planned for Q4 of 2011, which the AASB will also release in Australia for comment and on which the AASB will also make its own submission to the IASB.

A new 'comprehensive' IFRS 4 *Insurance Contracts* to replace the 'interim' IFRS 4 is projected to be completed in Q1 or Q2 of 2012. This would replace AASB 4 and the



Australian GAAP grandfathered under IFRS 4, being AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*.

The new comprehensive AASB 4 would also supersede AASB 1023 and AASB 1038, shortly after the IASB re-issues IFRS 4.



Appendix B

Public Sector and Private Sector Not-for-Profit Entity projects

GAAP/GFS Harmonisation – Whole of Government and General Government Sector

The AASB is undertaking a post-implementation review of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, which specifies GAAP/GFS harmonisation and related requirements (e.g. budgetary reporting) applicable to the federal, state and territory governments. The objective of the post-implementation review is to identify any material issues with AASB 1049 at an operational level with a view to improving financial reporting. The work to date has not identified any major flaws in the Standard, but changes are proposed to clarify certain of the requirements. Exposure Draft ED 211, which proposes a range of amendments to AASB 1049, is part of the process of obtaining relevant input from constituents.

Not-for-Profit Entities within the General Government Sector

The focus of this project is on improving the quality of financial reporting by not-for-profit entities within the GGS, using GAAP/GFS harmonisation principles and other means, having regard to cost/benefit considerations and the other public sector projects that are on the AASB's work plan. An Exposure Draft, to be issued shortly, will include a proposal that, for recognition and measurement purposes, an entity adopt an option in GAAP that aligns with GFS (e.g. fair value of property, plant and equipment). Some of the more contentious issues involve the fact that GFS is designed for macro-economic policy purposes and some constituents consider it inappropriate to be pushed down to entities within the GGS. The Exposure Draft will provide an opportunity for constituents to provide input to the AASB's cost-benefit assessment on this project.

Revenue of Not-for-Profit Entities

Current requirements for the accounting for revenue from non-exchange transactions are specified in AASB 1004 *Contributions*. It is criticised by some preparers because they are concerned that it requires income to be recognised too early.

The AASB has issued a number of consultative documents with a view to replacing AASB 1004, including a proposal to effectively adopt the IPSASB's IPSAS 23 *Income from Non-exchange Transactions (Taxes and Transfers)*. Most of this work has been conducted jointly with the New Zealand Financial Reporting Standards Board (FRSB).

Based on the input received from constituents, the AASB is now working on an approach that would use the work of the IASB to develop a Standard on Revenue from Contracts with Customers, modified where necessary for not-for-profit-specific issues. The timing of the project depends on when the IASB issues its new Standard on Revenue, and the AASB plans to issue an Exposure Draft late in 2011.

Public Sector Conceptual Framework, including Public Sector Perspective on IASB Conceptual Framework

The AASB monitors and comments on IPSASB proposals for its Public Sector Conceptual Framework, and participates in the IPSASB Framework Standard Setters Advisory Panel.



As chapters of the IASB Conceptual Framework are issued, the AASB initially issues those chapters for application by for-profit entities and retains its existing Framework text for not-for-profit entities. It then considers, as soon as feasible, which NFP entity modifications are appropriate for its corresponding Framework chapters. In that process, it considers the work to date on the IPSASB's Conceptual Framework. Until then, the AASB intends retaining its current Conceptual Framework for not-for-profit entities.

Service Concession Arrangements – Grantor Accounting

Accounting by grantors for service concession arrangements is an important topic for the AASB, which accordingly regards contributing to the IPSASB's project on this topic as an important undertaking. The AASB continues to monitor the IPSASB's work toward developing an IPSAS on this topic.

Emissions Trading Schemes (Government Perspective)

The AASB is monitoring the IASB's project on Emissions Trading Schemes (which is focusing on issues from an emitter's perspective) and intends considering how the financial reporting issues might be addressed from a government perspective. The AASB is also monitoring developments in Australia in relation to the Australian Government's policies, and considering the financial reporting implications.

Borrowing Costs of Public Sector Not-for Profit Entities

Under AASB 123 *Borrowing Costs* public sector entities not-for-profit may elect to recognise borrowing costs as an immediate expense instead of applying the capitalisation requirements in respect of qualifying assets that apply to other entities.

The AASB plans to reactivate its project on the application of AASB 123 by public sector not-for-profit entities, and to test the election against its policy document *Process for Modifying IFRSs for PBE/NFP*.

Related Party Disclosures by Public Sector Not-for-Profit Entities

Public sector not-for-profit entities are currently excluded from the scope of AASB 124 *Related Party Disclosures* (which incorporates IAS 24). The Board will shortly issue an Exposure Draft that addresses the application of AASB 124 to public sector not-for-profit entities and its implications for the disclosure of aggregated information about certain routine related party transactions with government Ministers and councillors of local governments.

Control in the Not-for Profit Sector

The IASB issued IFRS 10 *Consolidated Financial Statements* in May 2011, with an effective date of 1 January 2013 (with early adoption allowed). The AASB has decided to issue AASB 10 (incorporating IFRS 10) as soon as possible, but with early adoption by not-for-profit entities not permitted until the Board has addressed relevant not-for-profit sector issues.

The AASB plans to issue a Standard by May 2012 after following a full due process that addresses as many potential not-for-profit application issues as possible and appropriate, based on a list of application issues ascertained from constituent liaison.



Service Performance Reporting

This project is part of a broader project considering disclosures by not-for-profit entities, which might result in reducing, increasing or reorienting disclosure requirements as a result of an assessment of user needs.

The service performance reporting component of the project is considering adding disclosure requirements to satisfy user needs for such information. Initially, the Board's focus is on private sector not-for-profit needs, but in due course consideration will be given to public sector not-for-profit needs. AASB staff are liaising with IPSASB staff on the issues.



Appendix C Schedule of Key Events

<i>Timing</i>	<i>Event</i>	<i>Topics</i>
August 2011	Not-for-Profit Public and Private Sector Symposiums Melbourne and Sydney	Obtaining constituent input on current and future AASB projects of particular relevance to the not-for-profit public and private sectors
September 2011	National Standard Setters meeting Vienna	Current IASB topics NSS Framework Disclosure Principles
September 2011	AOSSG interim meeting London	Current IASB topics
November 2011	AOSSG annual meeting Melbourne	Current IASB topics AOSSG Vision Research topics
November 2011	IFRS Regional Conference Melbourne	Financial Instruments, Leases, Revenue and Insurance Contracts
March 2012	National Standard Setters meeting Kuala Lumpur	Current IASB topics
March 2012	IFRS Regional Policy Forum Kuala Lumpur	Government policy on financial reporting, including supervision Current IASB topics
March 2012	AOSSG interim meeting Kuala Lumpur	Current IASB topics AOSSG administrative matters

In addition to the above, the AASB is likely to host IASB outreach sessions on various topics as agreed with the IFRS Foundation