



Subject: Minutes of the 175th meeting of the AASB
Venue: Videoconference
Time(s): Thursday, 30 April 2020, 8.30 am – 3.30 pm

All agenda items except items 1, 12 and 13 (Review) were discussed in public.

Attendance via videoconference

Members	Kris Peach (Chair) Mike Blake (Deputy Chair) Kimberley Crook Peter Gibson James Grant (until 9.30 am) David Holland Ken Liow (except 9.30 am – 10.50 am) Carmen Ridley Paul Rogers Stephen Taylor Alison White
Apologies	James Grant (from 9.30 am) Ken Liow (9.30 am – 10.50 am)
<i>In attendance</i>	
Staff	Clark Anstis Patricia Au James Barden Kimberley Carney Fridrich Housa Kathleen John Akaash Kumar Ao Li Tom Liassis Meina Rose Helena Simkova Justin Williams (part of the meeting) Kathy Xu
Other	Dr Keith Kendall – agenda items 2–6 Jim Paul – agenda item 8 Ann Tarca – agenda items 4 and 5



Agenda and Chair's Report

Agenda Item 1

The Chair noted the significant items on the agenda and provided the Board with an update on recent and future activities and the work plan.

Apologies, Declarations of Interest, Minutes and Approvals Out of Session

Agenda Item 2

The Chair welcomed the incoming Chair, Dr Keith Kendall, to the meeting.

Apologies

Apologies were noted from both James Grant and Ken Liow, for part of the meeting.

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 specific declaration was made at the meeting.

Minutes

The Board approved the minutes of the one hundred and seventy-fourth meeting, held on 5-6 March 2020.

Approvals Out of Session

The Board noted the out-of-session approval of the following documents since the last meeting:

- Discussion Paper *Business Combinations – Disclosures, Goodwill and Impairment*;
- Exposure Draft ED 299 *Interest Rate Benchmark Reform – Phase 2*; and
- Exposure Draft ED 300 *Covid-19-Related Rent Concessions*.

Amendments to AASB 1054 – SPFS Disclosures

Agenda Item 3

The Board confirmed its proposals to amend AASB 1054 *Australian Additional Disclosures* to require certain for-profit private sector entities, such as those with trust/partnership/joint venture agreements requiring compliance with Australian Accounting Standards created or last amended before 1 July 2021, that prepare special purpose financial statements (SPFS) to disclose information about the accounting policies applied in those SPFS, along with information about the extent of compliance or otherwise with the recognition and measurement requirements in Australian Accounting Standards (AAS).



Background

In March 2020, the Board issued AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* which limits the preparation of SPFS that comply with AAS by for-profit private sector entities to:

- (a) entities whose constituting document (or another document), requiring them to comply with Australian Accounting Standards, was created or last amended before 1 July 2021; and
- (b) entities with a legislative requirement to prepare financial statements that comply with Australian Accounting Standards or accounting standards – for financial statements for periods beginning prior to 1 July 2021, if they elect not to early adopt the requirements in AASB 2020-2.

Accordingly, there is likely to be a number of entities that will continue to be able to prepare SPFS and state that they have been prepared in compliance with AAS. Without a clear explanation of what compliance with AAS means, there is a significant risk of users being misled regarding the basis of preparation of SPFS.

This was previously considered by the Board via ED 293 *Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Compliance with Recognition and Measurement Requirements*. However, when finalising the proposals in ED 293, their application was limited to not-for-profit entities. This decision was made subject to finalising AASB 2020-2, and therefore was reconsidered by the Board.

Proposed requirements

The Board decided to issue an Exposure Draft proposing that those entities noted in (a) and (b) above would be required to disclose:

- (a) the basis on which the decision to prepare SPFS was made;
- (b) information about the material accounting policies applied in the SPFS, including information about changes in those accounting policies;
- (c) where the entity has interests in other entities – whether or not its subsidiaries and investments in associates or joint ventures have been consolidated or equity accounted in a manner consistent with the requirements set out in AASB 10 *Consolidated Financial Statements* or AASB 128 *Investments in Associates and Joint Ventures*, as appropriate. If the entity has not consolidated its subsidiaries or equity accounted its investments in associates or joint ventures consistently with those requirements, it would disclose that fact, and the reasons why;
- (d) for each material accounting policy applied and disclosed in the financial statements that does not comply with all the recognition and measurement requirements in AAS (except for AASB 10 and AASB 128) – an indication of how it does not comply; and
- (e) whether or not the financial statements overall comply with all the recognition and measurement requirements in AAS (except for AASB 10 and AASB 128).

The proposed amendments are expected to apply to annual periods ending on or after 30 June 2021. Earlier voluntary disclosure is encouraged.



The Board approved the ED for issue, with a subcommittee to finalise the text. The ED will have a comment period of 90 days.

Action: Staff
Subcommittee

Primary Financial Statements

Agenda Item 4

The Board directed staff to undertake further research and consideration of the following issues, including consultation with private and public sector stakeholders, to assist in developing its comment letter on the IASB's Exposure Draft ED/2019/7 *General Presentation and Disclosures*:

- (a) the scope of Management Performance Measures (MPMs), in particular whether to recommend expanding the scope of MPMs to include internal performance measures used as a basis for management compensation;
- (b) challenges in auditing MPMs and their associated reconciliations;
- (c) whether to permit entities to determine their own accounting policies in respect of classifying associates and joint venture as integral or non-integral, with a requirement to disclose the judgements made in making that determination;
- (d) the appropriateness of permitting a mixed analysis by nature and function on the face of the statement of profit or loss; and
- (e) whether it is practical to disclose forward-looking information on expected items of future income or expense if recommending to permit items that may carry over more than one reporting period (such as a restructure) to be included in the definition of unusual items of income and expense.

The Board's recommendations will be discussed further at the next meeting.

Action: Staff

Coronavirus Impact on Financial Reporting – Additional Guidance

Agenda Item 5

Publications outlining areas of consideration for stakeholders in light of the impact of COVID-19 will be issued, including:

- (a) going concern assessments and disclosures, jointly with the AUASB;
- (b) accounting for government grants; and
- (c) impairment testing and fair value measurement.



Such publications would be educational in nature and would not change any requirements of Australian Accounting Standards.

The Board decided that it was unnecessary to defer the application date of certain Accounting Standards for not-for-profit entities, including AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 16 *Leases*.

With respect to the IASB's Exposure Draft ED/2020/2 *Covid-19-Related Rent Concessions*, the Board decided to provide informal feedback to the IASB staff in light of the short 14-day comment period. The Board noted concern that the relief is not proposed to extend to lessors. The Board also noted concern that principle 12 of the *National Cabinet Mandatory Code of Conduct – SME Commercial Leasing Principles During Covid-19*, which allows for leases to be extended for an equivalent period of any rent waiver and/or deferral period, may lead to concessions falling outside the scope of the proposals. However, the Board acknowledged paragraph BC5(c) of the IASB's Exposure Draft, which clarifies that, for example, a three-month rent holiday followed by three additional months of substantially equivalent payments at the end of the lease would not prevent the application of the proposed expedient.

Action: Staff

Interest Rate Benchmark Reform – Phase 2

Agenda Item 6

The Board approved its submission to the IASB in response to Exposure Draft ED/2020/1 *Interest Rate Benchmark Reform—Phase 2* generally supporting the proposals, based on the preliminary feedback obtained to date and subject to any further comments received from stakeholders. The Phase 2 proposals aim to address the replacement issues affecting financial statements, such as changes to contractual cash flows and hedging relationships as a result of the reform. The main proposed amendments relate to modifications, hedge accounting and disclosures.

Action: Staff

Not-for-Profit Entity Definition and Guidance

Agenda Item 7

The Board decided in respect of the implementation guidance proposed in Exposure Draft ED 291 *Not-for-Profit Entity Definition and Guidance* to:

- (a) retain the terms “equity” and “equity holder” and to clarify that:
- equity is the residual interest in the assets of the entity after deduction of its liabilities; and



- equity holders are the holders of any equity claims of an entity and, in the absence of clear equity instruments, the equity holders are those who have the rights to direct the use of the economic resources of the entity (e.g. members of clubs);
- (b) not provide further clarification on “primary objective” and “community or social benefit”, acknowledging that judgement is required to assess those aspects;
- (c) include instances when the presumption that an entity is a not-for-profit (NFP) entity for financial reporting if it is a NFP entity for taxation purposes is rebutted, and directed staff to reconsider the drafting of the rebuttal of the presumption to better reflect the implementation guidance;
- (d) include the flowcharts incorporating illustrative examples and demonstrating the assessment process for entities self-assessed as NFP entities for taxation purposes and for other entities;
- (e) include an illustrative example to clarify the term “providing goods or services for community or social benefit”; and
- (f) restructure the illustrative examples to include an overall assessment, emphasising the application of judgement in the assessment process.

The Board will consider revised implementation guidance and illustrative examples at a future meeting.

Action:

Staff

Fair Value Measurement for NFP Entities

Agenda Item 8

The Board decided, as an interim step while it continues deliberations about the fair value measurement of restricted assets and right-of-use assets arising under concessionary leases, to issue a limited-scope Exposure Draft applicable to public sector not-for-profit entities. The Exposure Draft would propose the following amendments (including additional guidance) to AASB 13 *Fair Value Measurement* in respect of assets held primarily for their service capacity:

- (a) in respect of land subject to restrictions, add a requirement to disclose the amount of any material discounts from the current market buying price of equivalent unrestricted land, including the basis for such discounts; and
- (b) additional guidance in respect of assets measured at current replacement cost, such as:
 - the nature of the costs included in an asset’s current replacement cost;
 - the assumed location of land forming part of a facility; and
 - identifying and measuring economic obsolescence.



The Board asked staff to consult with public sector stakeholders regarding the proposed disclosures about discounts on restricted land and to prepare a draft Exposure Draft for the Board's deliberation at a future meeting.

Action: Staff

Update on Non-Critical Items

Agenda Item 9

The Board discussed a number of issues, including a possible project to develop revised audit fee disclosures, the IASB's decision to defer the effective date of IFRS 17 *Insurance Contracts* by two years, the development of a potential Tier 3 for public sector financial reporting, and possible guidance on remuneration underpayments. The Board was not asked to make any specific decisions.

Action: Staff

International Documents Open for Comment

Agenda Item 10

The Board decided to perform targeted outreach to collect feedback from stakeholders (including in the public sector) and provide comments to the IASB in response to its Discussion Paper *Business Combinations under Common Control*, which is expected to be published in September 2020.

Action: Staff

Other Business – Public

Agenda Item 11

The Board decided to address issuing the IASB's amendments to IFRS 17 as an amending Standard once the IASB's amendments have been issued.

Action: Staff

Work Program, KPI Tracking and Priorities for Next Meeting

Agenda Item 12

The Board noted the work program and discussed project priorities. This agenda item was discussed in private.



Review

Agenda Item 13

The Board reviewed the conduct of the meeting. This agenda item was discussed in private.

Close of Meeting

The Chair closed the meeting at 3.30 pm on Thursday, 30 April 2020.

Approval

Signed by the Chair as a correct record,
this 11th day of June 2020