



Subject: Minutes of the 178th meeting of the AASB
Venue: Videoconference
Time(s): Wednesday, 11 November 2020, 9.00 am – 2.20 pm
 Thursday, 12 November 2020, 9.00 am – 2.45 pm

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

Attendance

Members	Keith Kendall (Chair) Mike Blake (Deputy Chair) Peter Gibson James Grant David Holland Ken Liow (except for part of day 1) Carmen Ridley Paul Rogers Stephen Taylor Alison White (except for part of day 2)
Apologies	Day 1: Ken Liow (2.00 pm – 2.20 pm) Day 2: Alison White (12.00 pm – 12.45 pm)
<i>In attendance</i>	
Staff	Clark Anstis Patricia Au James Barden Kimberley Carney Shachini Dassanayake Nikole Gyles Fridrich Housa Akaash Kumar Ao Li Tom Liassis Meina Rose Justin Williams Kathy Xu
Other	Mike Bradbury, Acting NZASB Chair Jim Paul (Agenda item 4)

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. This agenda item was discussed in private.

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

Agenda Item 2

Apologies

Apologies were noted from Ken Liow and Alison White for parts 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.

Dr Keith Kendall verbally declared his membership of several community and professional organisations.

Minutes

The Board approved the minutes of the one hundred and seventy-seventh meeting, held on 16–17 September 2020.

Approvals Out of Session

The Board noted that there were no out-of-session approvals since the last meeting.

Not-for-Profit Private Sector Financial Reporting Framework

Agenda Item 3

The Board noted further feedback from the initial targeted consultations and decided to develop a Consultation Paper. The Board emphasised the importance and urgency of the financial reporting issues and will review the project timeline after considering the scope of a working draft of the Consultation Paper at the February 2021 Board meeting, including whether service performance information reporting should be included in the Consultation Paper.

Action:

Staff

Fair Value Measurement for Not-for-Profit Entities

Agenda Item 4

The Board noted additional feedback from users of public sector entities' financial statements regarding the current value measurement perspective most useful to them, and the potential interim disclosures, in relation to restricted land held primarily for its service capacity. The Board decided to consider the effect of cross-cutting projects of the AASB and international standard-setters, including the IPSASB's Measurement project, before proposing any amendments to AASB 13 *Fair Value Measurement*. The Board decided to respond to the IPSASB on its forthcoming Exposure Drafts, ED 76 *Conceptual Framework – Limited-Scope Update* and ED 77 *Measurement*. The Board intends to add AASB Specific Matters for Comment in exposing the IPSASB Exposure Drafts for comment in Australia.

The Board also asked staff to consult with stakeholders who originally requested guidance to assist not-for-profit public sector entities in applying AASB 13 to understand:

- whether circumstances and the scope of guidance requested have changed since then (e.g. the extent of diversity in applying AASB 13 in the not-for-profit public sector); and
- the specific aspects of fair value measurement for which guidance is most promptly needed.

Action:

Staff

Termination for Convenience Clauses

Agenda Item 5

The Board noted the staff analysis of the requirements of Australian Accounting Standards that may be relevant when assessing the effect of termination for convenience clauses. Most Board members agreed that the Standards provide sufficient guidance. The Board decided that, in accordance with the *AASB Due Process Framework for Setting Standards*, the matter would need to be referred to the IFRS Interpretations Committee if authoritative guidance is required to address diversity in practice, since the issue is relevant to both for-profit and not-for-profit entities. The Board directed staff to further discuss with, and assist, the stakeholders raising the issue if they intend to submit a request to the IFRS Interpretations Committee.

Action:

Staff

Goodwill and Impairment

Agenda Item 6

The Board decided to provide the following feedback on the IASB's Discussion Paper DP/2020/1 *Business Combinations—Disclosures, Goodwill and Impairment*:



- Board members have mixed views on whether to retain the impairment-only approach to goodwill. Although the amortisation of goodwill is preferred by some preparers and auditors as a practical expedient that would reduce costs and remove some of the judgement associated with the impairment test, the impairment-only approach may be favoured by users in providing information about the success of business combinations and avoiding arbitrary amortisation expenses. However, the Board also noted that an impairment test would be required under both the impairment-only and amortisation approaches. To address concerns about the appropriate application of the impairment test, the Board will suggest that the IASB develop a template or illustrative example to assist entities to understand and apply the principles of the value-in-use model in IAS 36 *Impairment of Assets*.
- In addition, the Board:
 - does not support the requirement to disclose in the financial statements information about the subsequent performance of acquisitions, including the metrics used by the chief operating decision maker to monitor those acquisitions, but questions whether this should be dealt with in the IASB's project to revise the Management Commentary Practice Statement;
 - acknowledges concerns raised by stakeholders about the quantification and auditability of the proposed subsequent performance and expected synergy disclosures and will suggest that the IASB discuss the auditability of the proposed disclosures with the International Auditing and Assurance Standards Board;
 - supports the IASB's proposal to retain the existing pro-forma revenue and profit disclosures, but does not support the introduction of new pro-forma cash-flow disclosures;
 - does not support the IASB's proposal to remove the annual impairment test requirement, given concerns from users about the loss of information in the financial statements and limited evidence of cost savings;
 - supports the proposed simplifications of the value-in-use model but recommends the IASB provides implementation guidance and explains the differences between that model and the fair value model where fair value is calculated using discounted cash flows; and
 - does not support allowing the reversal of previously recognised goodwill impairments.

A subcommittee of the Board will finalise the submission out of session.

Action:

Staff

Subcommittee



Minimum Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities

Agenda Item 7

The Board decided to proceed with the proposals in ED 302 *Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities*, with some changes. The amendments will require certain for-profit private sector entities 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. The Board reiterated that the purpose of the amendments is to ensure the basis of preparation is clear where an entity asserts compliance with Australian Accounting Standards in its SPFS.

In finalising its views, the Board decided to:

- defer the effective date of the final amendments to reporting periods beginning on or after 1 July 2021, with earlier adoption permitted;
- in doing so, exclude entities within the scope of AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*. Entities within the scope of AASB 2020-2 are (1) for-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards, and (2) other for-profit private sector entities that are required only by their constituting document or another document to comply with Australian Accounting Standards (provided that document was created or last amended on or after 1 July 2021); and
- require subject entities to comply with the disclosure requirements in paragraphs 8 and 9 of AASB 1054 *Australian Additional Disclosures* (i.e. disclosure of an entity's reporting framework and whether the statements are General Purpose Financial Statements or SPFS), in addition to the disclosures proposed in ED 302.

Action:

Staff

Documents Open for Comment

Agenda Item 8

The Board decided not to comment on the tentative agenda decision from the IFRS Interpretations Committee regarding the sale and leaseback of an asset in a single-asset entity. For the other documents listed, the Board either had already made decisions at previous meetings about commenting on them or considered the documents in other agenda items at this meeting.



Other Business – Public

Agenda Item 9

Transition between Tier 2 Frameworks for Not-for-Profit Entities

The Board noted an inconsistency whereby not-for-profit (NFP) entities transitioning early from Tier 2 – Reduced Disclosure Requirements to Tier 2 – Simplified Disclosures are not able to access the same transitional relief available to for-profit private sector entities under AASB 1053 *Application of Tiers of Australian Accounting Standards*, paragraph E4. That paragraph provides relief from presenting comparative information in the notes if an entity did not previously disclose the comparable information in its most recent previous financial statements.

The Board decided to issue an exposure draft to propose extending this relief to NFP entities. The ED will be finalised by the Chair and will have a short comment period.

The Board considered whether to also extend to NFP entities the relief available in AASB 1053 paragraphs E5–E7, which provides relief from restating comparative information to for-profit private sector entities that had not complied with all the recognition and measurement requirements of the Standards (including, if a parent entity, not presenting consolidated financial statements in accordance with AASB 10 *Consolidated Financial Statements*) in their most recent previous special purpose financial statements (SPFS). However, the Board decided not to extend this relief, as this could result in the loss of useful, restated comparative information. The Board noted that it had decided to grant such relief to for-profit private sector entities due to the mandatory removal of SPFS for such entities, which does not apply to NFP entities.

Interest Rate Benchmark Reform – Phase 2 – Tier 2 Disclosures

The Board noted the informal feedback received to date on ED 304 *Interest Rate Benchmark Reform – Phase 2: Tier 2 Disclosures*, which was closing for comment. The Board approved addressing any submissions received and a ballot draft of an amending Standard out of session.

Procedural Standards

The Board approved addressing a new principal version of AASB 1048 *Interpretation of Standards* and editorial corrections to Australian Accounting Standards out of session.

IPSASB Meeting Report

The Board noted the report on the IPSASB's September and October meetings, which highlighted IPSASB projects that could identify potential not-for-profit or public sector additions or amendments to Australian Accounting Standards, such as public sector-specific financial instruments, heritage assets and infrastructure assets.

Action: Staff
Chair



Other Administrative Items

Agenda Item 10

The Board noted with thanks the significant contributions of the Board members retiring from the Board at the end of the year: Mike Blake (Deputy Chair), Ken Liow and Carmen Ridley.

Project Status Updates

Agenda Item 11

Going Concern

The Board decided to develop a thought-leadership paper addressing:

- the issues and available evidence regarding the adequacy of going concern disclosures currently required by Australian Accounting Standards and the basis of preparation where the going concern assumption is no longer appropriate; and
- recommendations on how the IASB could address the issues identified.

The Board also decided to address its findings in its submission to the IASB's upcoming agenda consultation, which is expected to be issued by the IASB in March 2021 for comment.

Parliamentary Inquiry into the Regulation of Auditing in Australia

The Board welcomed the Parliamentary Joint Committee on Corporations and Financial Services' final report of its inquiry into the regulation of auditing in Australia. The Board's responses to the recommendations relevant to it will be discussed at a future meeting.

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 of the Meeting

Agenda Item 13

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



Sustainability Reporting

Agenda Item 14

The Board decided to submit a comment letter in response to the IFRS Foundation Trustees' *Consultation Paper on Sustainability Reporting* (September 2020).

The Board supported the initiative to reduce diversity and achieve greater global consistency in sustainability reporting. Staff will undertake targeted outreach to inform the Board's feedback to the Trustees, including the question of whether the IFRS Foundation is the appropriate organisation to lead the initiative. The submission will be approved out of session by a subcommittee of the Board.

Action:	Staff
	Subcommittee

Close of Meeting

The Chair closed the meeting at 2.45pm on Thursday, 12 November 2020.

Approval

Signed by the Chair as a correct record,
this 24th day of February 2021