



Subject: Minutes of the 168th meeting of the AASB
Venue: Deloitte, 225 George Street, Sydney NSW
Time(s): Tuesday, 13 November 2018, from 9:00 am – 4:50 pm.

All agenda items except items 1(a), 1(b), 10, 14, 15, and 16 (Review) were discussed in public.

Attendance

Members	Kris Peach (Chair) Mike Blake Kimberley Crook Regina Fikkers (Deputy Chair) Peter Gibson (part of meeting, via teleconference) Ken Liow Carmen Ridley Taryn Rulton Marc Smit Stephen Taylor (part of meeting) Alison White
Apologies	Peter Gibson (1:00 pm – 3:45 pm) Stephen Taylor (from 3:30 pm)
<i>In attendance</i>	
Staff	Clark Anstis (via teleconference) Patricia Au James Barden Aanchal Bhandari Kimberley Carney Shachini Dassanayake Neha Juneja Kala Kandiah Justine Keenan Peter Loukas Damian Paull (part of meeting, via teleconference) Meina Rose (part of meeting)
AUASB Staff	Tim Austin (via teleconference) – agenda item 10 Matthew Zappulla (via teleconference) – agenda item 10
Other	Ian Carruthers, IPSASB (via teleconference) – agenda item 3 Anne Driver, QBE Insurance Ltd – agenda item 7 Angus Thomson – agenda item 7 Dr Gary Johns, ACNC – agenda item 10 Maggie Man, ACNC (via teleconference) – agenda item 10 Mel Yates, ACNC (via teleconference) – agenda item 10



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 activities and future presentations.

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

Agenda Item 2

Apologies

Apologies were noted from Peter Gibson and Stephen Taylor 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.

Regina Fikkers declared an interest in agenda item 11 – IASB amendments re the definition of a business. The Chair noted that the interest was not significant enough to warrant Ms Fikkers not being present during the discussion of the agenda item.

Minutes

The Board approved the minutes of the one hundred and sixty-seventh meeting, held on 4 September 2018.

Approvals Out of Session

The Board noted the out-of-session approval of one document since the previous meeting: Amending Standard AASB 2018-5 *Amendments to Australian Accounting Standards – Deferral of AASB 1059*.

Presentation by IPSASB Chair

Agenda Item 3

The Chair of the International Public Sector Accounting Standards Board (IPSASB), Ian Carruthers, presented to the Board on the work program and strategy of the IPSASB, the increasing adoption of accrual accounting by governments around the world, and international proposals for the development of guidance for not-for-profit entity reporting. The Board noted the importance of the IPSASB improving relationships with the International Monetary Fund, which sets the international Government Finance Statistics (GFS) requirements, and assisting them to keep up to date with the latest accounting standard developments.

No decisions were made.



Conceptual Framework – For-Profit Entities (ITC 39, Phase 1)

Agenda Items 4 and 5

The Board decided to proceed with Phase 1 of ITC 39 *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems*, as follows:

- (a) Phase 1 will be limited to for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards, and to other for-profit entities that elect to apply the revised *Conceptual Framework for Financial Reporting* (RCF). The intention of Phase 1 is to allow entities to maintain compliance with IFRS Standards, not to extend requirements for entities to prepare general purpose financial statements (GPFS). For example, Phase 1 will permit for-profit public sector entities to continue to state compliance with IFRS Standards where they elect to do so, but will not otherwise require public sector entities to adopt the RCF at this stage.
- (b) The limited scope of Phase 1 also means that the existing requirements continue in place for entities such as trusts that are required by their constitutional documents (rather than legislation) to comply with Standards. The Financial Reporting Framework project will reconsider the requirements for other for-profit entities not covered by Phase 1, after further research and outreach.
- (c) Some other types of entities were identified in submissions as potentially affected by Phase 1, such as internal registered managed investment schemes, unlisted entities that may be operating in over-the-counter markets and entities undertaking crowd-sourced funding. The Board decided that these entities should be considered through a public accountability sub-project, which will consider in accordance with *The AASB's For-Profit Entity Standard-Setting Framework* whether there should be any change to the types of entities deemed to have public accountability (an Australian decision), whether exemptions from the public accountability definition would be in the Australian public interest and whether additional guidance should be included to assist in interpreting the public accountability definition in an Australian context.
- (d) Some respondents to ITC 39 Phase 1 were concerned about having two conceptual frameworks in place at the same time. The Board noted the majority of respondents who expressed a view agreed with the short-term approach, and reconfirmed its previous decision to have two conceptual frameworks for an interim period.
- (e) Whilst the substance of the Board's decisions are consistent with the proposals in ITC 39, the Board decided that the new approach to highlighting which entities apply which CF and new scope restrictions warranted issuing a limited-scope Exposure Draft of the consequential amendments to Standards and Interpretations that would arise from issuing the RCF in Australia. The ED will incorporate a proposed amending Standard AASB 2018-X *Amendments to Australian Accounting Standards – References to the Conceptual Framework*. The draft AASB 2018-X will include the Basis for Conclusions to explain the proposals and the Board's rationale in finalising Phase 1.



The Exposure Draft will be issued in January 2019 with a two-month comment period, with requested feedback limited to any fatal-flaw issues.

Action: Staff
Members

Financial Instruments with Characteristics of Equity

Agenda Item 6

The Board decided that the AASB comment letter to the IASB's Discussion Paper DP/2018/1 *Financial Instruments with Characteristics of Equity* (FICE) will state that the proposed principles in the DP:

- (a) would give rise to new uncertainties and interpretation issues and outcomes that are counter-intuitive to the substance of some financial instruments;
- (b) do not address adequately some of the practical issues that are common in Australia; and
- (c) are inconsistent with the definition of a liability and related guidance in the revised *Conceptual Framework for Financial Reporting*.

Although the Board supports the IASB aiming to develop robust principles for the classification of financial liabilities and equity, the Board considered that pursuing the FICE project based on the current proposals is not worthwhile for the above reasons.

The Board also decided to provide the IASB with examples of practical issues that have not been adequately addressed in the IASB's DP and the extent of these issues in Australia.

Action: Staff

AASB 17 *Insurance Contracts* –Transition Resource Group (TRG)

Agenda Item 7

The Board welcomed Anne Driver, Chair of the AASB Transition Resource Group for AASB 17 *Insurance Contracts*, and Angus Thomson to the meeting. The Board noted her update regarding AASB 17/IFRS 17 *Insurance Contracts* implementation in Australia and worldwide. No decisions were made.

Income of Not-for-Profit Entities – Peppercorn Leases

Agenda Item 8

The Board decided to issue an Exposure Draft proposing a temporary option for not-for-profit (NFP) lessees to not fair value at initial recognition a right-of-use (ROU) asset arising from leases that have significantly below-market terms and conditions principally to enable an entity to further its objectives when AASB 1058 *Income of Not-for-Profit Entities* and AASB 16 *Leases* become effective from 1 January 2019 (e.g. 30 June 2020 year-ends). Given the prevalence of restrictions on ROU assets in the NFP sector, the Board prefers



the interpretative issues arising from fair valuing such leases to be resolved as part of the fair value measurement project. The Board also considered that the financial reporting thresholds of NFP private sector entities are likely to be revised as a result of the ACNC Legislative Review recommendations, and it is possible that entities at the lower level of the reporting threshold might not be required in future to apply the requirements of AASB 16 and AASB 1058. The optional relief is expected to remain in place until further guidance has been developed to assist NFP entities in fair valuing such right-of-use assets and the financial reporting requirements for private sector not-for-profit entities have been finalised. Entities choosing the temporary relief would value the ROU asset based on the present value of the lease payments required.

The ED will propose that an entity applying this temporary option must include specific disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from leases with significantly below-market terms and conditions principally to enable the entity to further its objectives.

When the temporary relief is removed, the Board would consider whether to provide permanent transitional relief for existing leases with significantly below-market terms and conditions principally to enable an entity to further its objectives.

Action: Staff
Members

Conceptual Framework – For-Profit Entities Outreach (ITC 39, Phase 2)

Agenda Item 9

The Board noted feedback received during the Board's September 2018 roundtables on enhancing financial reporting and replacing special purpose financial statements for for-profit entities. A summary of this feedback will be available on the AASB's website shortly.

Action: Staff

Conceptual Framework – Approach to NFP Entities

Agenda Item 10

The Board welcomed ACNC Commissioner Dr Gary Johns to the meeting. The Board and Dr Johns agreed on the importance of consistent and appropriate external reporting for NFP private sector entities (including non-ACNC regulated entities). The Board will begin consulting with a wide range of stakeholders on the reporting framework options for the NFP private sector.



Amendments to Standards – Definition of a Business

Agenda Item 11

The Board did not raise any issues regarding the recent amendments by the IASB of the definition of a business. The Board will vote on the Australian equivalent to the IFRS Standard *Definition of a Business* out of session.

Action: Staff
Members

Extractive Activities

Agenda Item 12

The Board did not have any specific feedback on the IASB's terms of reference requesting input from national standard-setters on its Extractive Activities project. The Board agreed to share feedback received during local outreach with the IASB.

Action: Staff
Chair

Other Business

Agenda Items 13 and 14

The Board noted the AASB submissions to other organisations, AASB Staff FAQs, IASB and IFRIC updates and additional materials.

Work Program and Communications Report

Agenda Item 15

The Board noted the work program and communications report.

International Documents Open for Comment

Agenda Item 17

The Board decided not to comment on the following forthcoming international consultation documents:

- (a) the IASB Exposure Draft addressing costs considered in assessing whether a contract is onerous; and
- (b) the IPSASB Exposure Draft addressing collective and individual services and emergency relief.

The Board also decided to reconsider making submissions on these documents should any significant domestic issues be raised during the respective exposure periods.



Retiring Members

The Board acknowledged the service to the Board of both Regina Fikkers and Marc Smit, who are retiring from the Board at the end of the year. The Chair also noted particularly the contributions of Ms Fikkers as Deputy Chair of the Board.

Close of Meeting

The Chair closed the meeting at 4:50 pm on Tuesday, 13 November 2018.

Approval

Signed by the Chair as a correct record,
this 19th day of February 2019