



Subject: Minutes of the 172nd meeting of the AASB
Venue: TEQSA Executive Board Room, Tower Level 14, 530 Collins Street, Melbourne
Time(s): Day 1 – Tuesday, 17 September 2019, 9.00 am – 5.25 pm
Day 2 – Wednesday, 18 September 2019, 9.00 am – 3.25 pm

Agenda items were discussed in public, except for items 1–6, 9 and 29–31.

Attendance

Members	Kris Peach (Chair) Mike Blake (Deputy Chair) Kimberley Crook (via teleconference) Peter Gibson James Grant Ken Liow (day 2) Carmen Ridley Paul Rogers Taryn Rulton Stephen Taylor Alison White
Apologies	Ken Liow (day 1)
<i>In attendance</i>	
Staff	Clark Anstis Patricia Au Aanchal Bhandari Kimberley Carney Mukesh Garg Fridrich Housa Kala Kandiah Ao Li Tom Liassis Meina Rose Helena Simkova Justin Williams (part of meeting, via teleconference) Kathy Xu
Other	Anne Driver (QBE Insurance) – agenda item 10 Doug Niven (ASIC) – agenda item 9 John Price (ASIC) – agenda item 9 Greg Yanco (ASIC) – agenda item 9 Jenny Yang (University of NSW) – agenda item 23



Agenda and Chair's Report

Agenda Items 1 and 2

The Chair noted the significant items on the agenda and provided the Board with an update on recent and future activities. These agenda items were discussed in private.

AASB Strategic Directions

Agenda Item 3

The Board considered the feedback from peer review results and actions to improve the ratings. This agenda item was discussed in private.

AASB Corporate Plan

Agenda Item 4

The Board considered the key performance indicators in the Corporate Plan. This agenda item was discussed in private.

Working with the AUASB

Agenda Item 5

The Board considered opportunities to work with the Auditing and Assurance Standards Board (AUASB). This agenda item was discussed in private.

Stakeholder Survey

Agenda Item 6

The Board considered feedback from the stakeholder survey. This agenda item was discussed in private.

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

Agenda Item 7

Apologies

Ken Liow's apology for day 1 of this meeting was noted.

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.

There were no specific declarations for this meeting.



Minutes

The Board approved the minutes of the one hundred and seventy-first meeting, held on 14 June 2019.

Approvals Out of Session

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

- Exposure Draft ED 292 *Amendments to AASB 17* (July 2019);
- Exposure Draft ED 294 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (July 2019); and
- Exposure Draft ED 296 *Disclosure of Accounting Policies* (August 2019).

Service Concession Arrangements – Grantors

Agenda Item 8

The Board decided to amend AASB 16 *Leases* and AASB 1059 *Service Concession Arrangements: Grantors* to:

- (a) exempt assets that would be recognised as service concession assets under AASB 1059 from the application of AASB 16;
- (b) amend the transitional relief under the modified retrospective method (AASB 1059, paragraph C4) as follows:
 - (i) specify any financial liability should be recognised at fair value at the date of initial application;
 - (ii) initially measure the Grant of a Right to the Operator (GORTO) liability representing the unearned portion of any revenue arising from the receipt of a service concession asset based on the current replacement cost of the service concession asset at the date of initial application adjusted to reflect the remaining concession period relative to the total period of the arrangement, rather than relative to the remaining economic life of the service concession asset; and
 - (iii) measure a liability representing any unearned revenue arising from the receipt of additional consideration from the operator for access to an existing asset of the grantor that has been reclassified as a service concession asset at the amount of the proceeds received, adjusted to reflect the remaining concession period relative to the total period of the arrangement;
- (c) amend paragraph B76 of AASB 1059 to clarify that the grantor's policy choice to continue applying insurance accounting is limited to contracts that meet the definition of a financial guarantee under AASB 9 *Financial Instruments*, if they have previously been accounted for as insurance contracts; and



- (d) make editorial amendments to paragraph IG10 and IG13 in the implementation guidance accompanying AASB 1059.

The amending Standard is expected to be issued shortly. The Standard will apply to periods beginning on or after 1 January 2020, with earlier application permitted.

Action: Staff
Chair

Presentation by ASIC Staff

Agenda Item 9

Representatives of the Australian Securities and Investments Commission (ASIC), John Price, Greg Yanco and Doug Niven, discussed with the Board the objectives and work of ASIC in relation to financial reporting matters. No decisions were made. This agenda item was discussed in private.

Amendments to IFRS 17 *Insurance Contracts*

Agenda Item 10

The Board decided that the key recommendations to the IASB in relation to ED/2019/4 *Amendments to IFRS 17 Insurance Contracts*, based on the AASB's Insurance Transition Resource Group feedback, are:

- (a) extend the proposed scope of reinsurance recovery initial recognition from proportionate reinsurance relating to a loss from onerous contracts to all reinsurance contracts held for which there is a direct link between the expected recoveries and the loss recognised on underlying onerous contracts;
- (b) retain the principles in IAS 34 *Interim Financial Reporting* that the frequency of an entity's interim reporting will not affect the measurement of its annual results, by removing IFRS 17 paragraph B137, which prevents change to the treatment of accounting estimates made in previous interim financial statements in subsequent annual financial statements;
- (c) adopt a business model approach (underwriting adverse development or acquiring portfolios for renewal) to determine the appropriate acquisition accounting for acquired contracts at a portfolio level, i.e. a liability for settlement of claims from contracts acquired to deliver a broader strategic outcome should be classified as a liability for incurred claims; and
- (d) note the concern of the industry in respect of using the inception date 'locked in' discount rates to accrete the Contractual Service Margin and the perceived accounting mismatch this produces.

Action: Staff



Parliamentary Inquiry into Regulation of Auditing in Australia

Agenda Item 11

The Board decided to make a submission to the Inquiry, addressing matters such as the importance of global and principle-based Australian Accounting Standards, the efforts of the Board in seeking improvements to the requirements for the impairment testing of assets, and the usefulness of digital financial reporting to users of financial statements and regulators.

Action: Staff
Chair

Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

Agenda Item 12

The Board decided to issue a Fatal-Flaw Review Draft proposing to amend AASB 1054 *Australian Additional Disclosures* to require disclosure of the effect of new IFRS Standards that have not yet been issued by the AASB as Australian Accounting Standards (AAS), to ensure IFRS compliance for for-profit publicly accountable entities. The effective date of the amending Standard will be proposed as periods beginning on or after 1 January 2020.

Action: Staff

AASB 1049 – GAAP/GFS Reconciliation

Agenda Item 13

The Board decided to propose in relation to AASB 1049 *Whole of Government and General Government Sector Financial Reporting* optional relief from the GAAP/GFS reconciliation and the disclosure of Government Finance Statistics (GFS) measures of key fiscal aggregates to address stakeholder concerns regarding the cost of preparing such reconciliations given the increasing divergence of AAS and GFS. If the relief is adopted, additional disclosures are proposed to clarify that key fiscal aggregates presented in the financial statements are not GFS measures and to explain (but not quantify) material differences between the GAAP and GFS measures of the key fiscal aggregates. The Board noted the implications of this decision for the Financial Reporting Council's GAAP/GFS harmonisation strategic direction and will discuss this with the FRC.

Action: Staff
Chair



Right-of-Use Assets of Not-for-Profit Entities under Concessionary Leases

Agenda Item 14

The Board decided to propose further amendments to AASB 16 *Leases* and AASB 1049 to address the following implementation issues:

- (a) provide an option under AASB 1049 for a Whole of Government (WOG) and a General Government Sector (GGS) to measure right-of-use (ROU) assets arising under concessionary leases at cost or at fair value in subsequent measurement, which extends the existing relief in relation to measurement at initial recognition; and
- (b) specify ROU assets under concessionary leases are a separate class of ROU assets from ROU assets arising under other leases for the purposes of AASB 16 and relevant Standards.

The Board noted the exemption does not extend to entities outside the WOG or GGS, such as local governments, as these entities are not required by current accounting standards to adopt a fair-value approach. A Fatal-Flaw Review version of the amending Standard is expected to be issued shortly with a comment period of 30 days.

Action:	Staff
	Chair

Public Sector Financial Reporting Framework

Agenda Item 15

The proposals in AASB Discussion Paper *Improving Financial Reporting for Australian Public Sector* (June 2018) have been discussed with principal stakeholders. The FRC's Public Sector Working Group will lead this project, involving financial reporting regulators, auditors and Treasury officials in managing the change process.

The project will be carried out in three phases:

- Phase 1: Research and initial consultation
- Phase 2: Detailed discussions and further design work
- Phase 3: Review, acceptance and approval.

Phase 1 is underway. AASB staff will work with the Commonwealth Department of Finance to prepare material to illustrate the possible financial reporting requirements of each reporting tier.

Phase 2 is expected to be undertaken in 2020–2021, which would involve developing recommendations for change for Commonwealth, State, Territory and local governments.



Phase 3 would address the feedback in Phase 2 to present final proposals and obtain clearance by relevant decision-makers. Depending on the complexity of change and the legislative programs in each jurisdiction, the project is expected to be completed in 2024.

Action: Staff

IPSASB Update

Agenda Item 16

The Board noted the report on the IPSASB's June 2019 meeting and in particular the projects on transfer expenses, capital grants and public sector-specific financial instruments. The Board also noted that the international Public Sector Standard-Setters Forum had discussed topics related to broader financial reporting needs.

Action: Staff

Comment Period for EDs 295 and 297

Agenda Item 17

The Board decided to extend the comment period for both ED 295 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (August 2019) and ED 297 *Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* (August 2019) by two weeks from 15 November 2019 to 30 November 2019 in response to stakeholders' feedback.

The Board also decided that submissions received after the revised closing date for comments on the EDs will not be considered by the Board, as it is important to progress the projects related to the EDs so that any final Standards resulting from the proposals in the EDs are made available for entities to early adopt by 30 June 2020. For example, entities transitioning from SPFS to GPFS as a result of the change in thresholds for determining large proprietary companies under the *Corporations Act 2001* might want to apply simplified Tier 2 reporting requirements early. This is unlikely to be achieved if the comment period for the EDs was extended beyond the end of November 2019.

Action: Staff

Disclosure of Compliance with Recognition and Measurement Requirements in Special Purpose Financial Statements

Agenda Item 18

Not-for-profit entities

The Board decided:



- (a) not-for-profit (NFP) entities required by legislation or otherwise to comply with AASB 1054 *Australian Additional Disclosures*, such as medium and large charities (i.e. revenue greater than \$250,000) registered with the Australian Charities and Not-for-profits Commission (ACNC) and companies limited by guarantee lodging financial reports with ASIC, will be required to make the disclosures about compliance with recognition and measurement (R&M) requirements of AAS in their special purpose financial statements (SPFS) for annual reporting periods ending on or after 30 June 2020. The Board noted the ACNC expressed support for increased transparency of the financial reporting in the sector. Also, further changes to the financial reporting framework for NFP entities will be considered;
- (b) for each material disclosed accounting policy, disclose whether it does not comply with AAS R&M requirements or the compliance has not been assessed;
- (c) on the basis of the assessment in (b), disclose whether, overall, the R&M requirements in AAS are complied with (no instances of non-compliance or non-assessment), not complied with (1 or more instances of non-compliance) or not assessed (1 or more instances of non-assessment). Where there is known non-compliance, an indication of the non-compliance should be disclosed;
- (d) disclosure of compliance with the R&M requirements in AAS excludes consideration of consolidation and the equity method of accounting as these are the subject of separate disclosures;
- (e) relief from determining whether or not the entity's interests in other entities give rise to interests in subsidiaries, associates or joint ventures is only available where there is no legislative requirement to make this determination; and
- (f) the proposed implementation guidance and illustrative examples in ED 293 *Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Compliance with Recognition and Measurement Requirements* (July 2019) will be updated to reflect the above decisions.

The Board noted its amended proposals do not require more information than the NFP entities already hold, as they may indicate (if appropriate) they have not made an assessment of compliance with AAS R&M requirements. The Board acknowledged that there is less clarity in SPFS R&M requirements for charities, and the new disclosures would provide appropriate information for financial statement users without undue cost to preparers. Although the scope of the proposals has been limited to NFP entities, the Board decided that a Fatal-Flaw Review version for public comment was not required as the proposed requirements are less onerous than proposed in ED 293.

For-profit entities

The Board decided additional disclosure of information about compliance with the R&M requirements in AAS **will not apply** to for-profit private sector entities preparing SPFS, unless the proposals in ED 297 to prohibit SPFS for certain for-profit private sector entities are not finalised. The Board acknowledged stakeholder feedback that the amendments would only be relevant to these entities for a short period of time if the



proposals in ED 297 are finalised as expected by 30 June 2020 and that the costs are likely to outweigh the benefits.

Action: Staff
Members

Education Strategy

Agenda Item 19

The Board approved the AASB's Education Strategy and making it available on the AASB's website.

Action: Staff

Evidence-Informed Standard-Setting Framework

Agenda Item 20

The Board approved the AASB's Evidence-Informed Standard-Setting Framework and making it available on AASB's website.

Action: Staff

Financial Statements of Non-Disclosing Entities Lodging with ASIC

Agenda Item 21

The Board noted the final findings from Research Report 12 *Financial Reporting Practices of For-Profit Entities Lodging Special Purpose Financial Statements* (August 2019) examining the reporting practices of certain categories of for-profit entities lodging SPFS with ASIC, in particular the increased lodgement of SPFS by the specified categories of for-profit entities from 66% in 2011 to 71% in 2018. (The preliminary findings reported in April 2019 to the Board indicated 55% in 2018.) The Board considered that the findings in Research Report 12, including the extent of compliance with R&M requirements in AAS by these entities, support the Board's proposals in ED 293, ED 295 and ED 297 to improve the consistency, comparability, transparency and enforceability of financial statements that are required to comply with AAS.

Action: Staff



AASB 15 Research Grant Examples

Agenda Item 22

The Board decided to amend Illustrative Examples 4A and 4B attached to AASB 15 *Revenue from Contracts with Customers* to clarify how AASB 15 paragraph 35(a) should be applied. However, the amendments do not change the conclusions of the Illustrative Examples.

A Fatal-Flaw Review version of the amending Standard is expected to be issued shortly with a comment period of 30 days.

The Board also discussed a revised version of draft staff FAQs (Frequently Asked Questions) presenting additional research grant examples. The Board noted that staff will meet with university and medical research sector stakeholders before finalising the revised staff FAQs.

Action: Staff
Chair

Financial Statements of Charities Lodging with ACNC

Agenda Item 23

The Board noted the final findings from Research Report 11 *Review of Special Purpose Financial Statements: Large and Medium-Sized Australian Charities* (August 2019) examining the reporting practices of not-for-profit entities lodging SPFS with the ACNC, in particular that for 44% of the entities, it was not clear whether they complied with the R&M requirements in AAS. The Board considered that the findings in Research Report 11 support its efforts to improve the financial reporting framework for the NFP private sector as a separate project from the work on the for-profit sector.

Action: Staff

Due Process Framework for Setting Standards

Agenda Item 24

The Board revised its due process framework and will seek Financial Reporting Council feedback. Once finalised, the Due Process Framework for Setting Standards document will be made available on the AASB's website.

Action: Staff
Chair



User Advisory Committee

Agenda Item 25

The Board noted that the newly formed AASB User Advisory Committee (UAC) will enable the Board to obtain feedback from analysts and other users on key domestic and international projects. Feedback from the UAC on IASB-related projects will be shared with the IASB.

Action:

Staff

Consultation Documents Open for Comment

Agenda Item 26

The Board decided not to comment on the following consultative documents, subject to no further significant concerns being expressed by constituents:

- (a) IASB ED/2019/3 *Reference to the Conceptual Framework*, which proposes narrow-scope amendments to IFRS 3 *Business Combinations* to update the old *Framework* reference to the revised *Conceptual Framework for Financial Reporting*;
- (b) IASB Draft SMEIG Q&A *IFRS for SMEs Standard*, which provides guidance on the measurement of investment properties when transitioning to the IFRS for SMEs Standard;
- (c) IASB ED/2019/5 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which proposes an amendment to the initial recognition exemption in IAS 12;
- (d) IASB ED/2019/6 *Disclosure of Accounting Policies*, which proposes narrow-scope amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* to require entities to disclose their material accounting policies rather than their significant accounting policies;
- (e) IPSASB ED68 *Improvements to IPSAS 2019*, which proposes non-substantive changes to IPSAS to improve consistency within IPSAS;
- (f) IPSASB ED69 *Public Sector Financial Instruments: Amendments to IPSAS 41 Financial Instruments*, which proposes additional non-authoritative guidance to clarify the requirements for classifying, recognising and measuring monetary gold, currency in circulation, International Monetary Fund (IMF) quota subscriptions and IMF Special Drawing Rights; and
- (g) International Valuation Standards Council *Financial Instruments Agenda Consultation 2019*.

Action:

Staff



International Strategy

Agenda Item 27

The Board approved its International Strategy. Key aspects of the strategy are contained within the Due Process Framework for Setting Standards document, and so the full strategy will not be published on the AASB's website.

Action:

Staff

Other Business – Public

Agenda Item 28

The Board noted the materials provided, including correspondence that would need to be considered at a future meeting, and discussed comments regarding financial reporting by superannuation entities. No decisions were made.

Other Business – Private

Agenda Item 29

No materials were provided to the Board under this agenda item.

Work Program and Priorities

Agenda Item 30

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

Review of Meeting

Agenda Item 31

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

Close of Meeting

The Chair closed the meeting at 3:25 pm on Wednesday, 18 September 2019.

Approval

Signed by the Chair as a correct record,
this 21st day of November 2019