



Subject: Minutes of the 173rd meeting of the AASB
Venue: Rattigan Rooms, Productivity Commission, Tower Level 12, 530 Collins Street, Melbourne
Time(s): Thursday 21 November 2019, 8.30 am – 5.00 pm

Agenda items were discussed in public, except for items 1, 8, 21, 22 and 23.

Attendance

Members	Kris Peach (Chair) Mike Blake (Deputy Chair) Kimberley Crook Peter Gibson James Grant Ken Liow (to 11:30 am) Paul Rogers Taryn Rulton Stephen Taylor Alison White
Apologies	Ken Liow (from 11:30 am) Carmen Ridley
<i>In attendance</i>	
Staff	Clark Anstis Patricia Au James Barden Aanchal Bhandari Kimberley Carney Mukesh Garg Fridrich Housa Kala Kandiah Ao Li Tom Liassis Meina Rose Helena Simkova Justin Williams (part of meeting) Kathy Xu
Other	Jim Paul – agenda item 6 Roger Simnett – agenda item 8 Matthew Zappulla – agenda item 8



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. These agenda items were discussed in private.

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

Agenda Item 2

Apologies

Apologies were noted from Ken Liow (part of the meeting) and Carmen Ridley.

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 a member has a particular interest in an issue before the Board.

Specific declarations were noted from the following members:

- Mike Blake – research grants (agenda item 12);
- Kimberley Crook – NFP entity definition and guidance (agenda item 3), NFP private sector financial reporting framework (agenda item 5) and primary financial statements (agenda item 16);
- Peter Gibson – public sector financial reporting framework (agenda item 4);
- Taryn Rulton – research grants (agenda item 12); and
- Alison White – research grants (agenda item 12).

Minutes

The Board approved the minutes of the one hundred and seventy-second meeting, held on 17-18 September 2019.

Approvals Out of Session

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

- Accounting Standard AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*; and
- Fatal-Flaw Review Version of AASB 2019-X *Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations*.



The Board also noted that the following policy documents had been finalised and published on the AASB website:

- AASB and AUASB Board Charter (revised October 2019);
- AASB Due Process Framework for Setting Standards (September 2019);
- The AASB's Approach to International Public Sector Accounting Standards (October 2019); and
- Protocol for Co-operation between the Australian Accounting Standards Board, the Australian Auditing and Assurance Standards Board, the Australian Financial Reporting Council, and the New Zealand External Reporting Board (November 2019).

Not-for-Profit Entity Definition and Guidance (ED 291)

Agenda Item 3

The Board noted stakeholders' support for the overall direction of the proposals in Exposure Draft ED 291 *Not-for-Profit Entity Definition and Guidance* and for the retention of the term 'not-for-profit entity'. Further analysis of the submissions received will be considered at the Board's next meeting, including the following:

- cost/benefit considerations;
- clarification of certain terms, implementation guidance and illustrative examples;
- the effective date of the proposed new definition and potential alignment with the Not-for-Profit Financial Reporting Framework project, with early adoption permitted; and
- potential transition relief.

Action: Staff

Public Sector Financial Reporting Framework

Agenda Item 4

The Board approved the project plan.

Action: Staff

Not-for-Profit Private Sector Financial Reporting Framework

Agenda Item 5

The Board approved the project plan.

Action: Staff



Fair Value Measurement for Public Sector Entities

Agenda Item 6

The Board decided to include the following proposals in the Exposure Draft that will propose amendments to AASB 13 *Fair Value Measurement* for not-for-profit entities:

- (a) extend the scope of the ED to include not-for-profit private sector entities;
- (b) consistent with the Conceptual Framework, assets should be measured at a value faithfully representing their service potential;
- (c) the fair value of a restricted,¹ non-financial asset that is held for its service potential, in the absence of observable market evidence, should be measured as its current replacement cost, without a discount for the effect of the restriction(s). The Board noted that this deemed fair value might not be compliant with IFRS 13. Non-financial assets include right-of-use (ROU) assets under 'concessionary leases' (ie leases with significantly below-market terms and conditions principally to enable the entity to further its objectives);
- (d) the concept of 'financially feasible' in paragraph 28(c) of AASB 13 should not apply when identifying the highest and best use of non-financial assets held for their service potential and measured at current replacement cost;
- (e) a rebuttable presumption that the fair value of ROU assets under 'concessionary leases' can be measured reliably, based on the same fundamental principles as for fair valuing owned assets;
- (f) the current replacement cost of land forming part of a facility held for its service potential should be measured by assuming it is replaced in its present location, even if it would be feasible to relocate the facility to a site with cheaper land; and
- (g) a mandatory application date two years after issuing the amendments, with retrospective initial application, and earlier application permitted.

The Board also anticipates a specific matter for comment regarding the benefits and costs of requiring different fair value measurements of the same asset at different levels of a group in some circumstances.

The Board will consider a revised draft ED at its next meeting.

Action:

Staff

¹ A restricted asset is subject to a legal restriction on the use of the asset or the prices that may be charged for other parties to use the asset.



Research and Education Update

Agenda Item 7

The Board decided that project plans should be provided to the Academic Advisory Panel to assist in identifying relevant academic research.

The Board noted that papers from the 2016 and 2017 Academic Research Forums had been published.

Action: Staff

Presentation by AUASB Chair

Agenda Item 8

This agenda item was held in private session.

The Chair of the Auditing and Assurance Standards Board (AUASB), Professor Roger Simnett, and the AUASB Technical Director, Matthew Zappulla, discussed with the Board a range of matters of common interest, including audit fee disclosures in financial statements and collaboration between the Boards and their staff.

IPSASB Update

Agenda Item 9

The Board noted the report on the IPSASB's September 2019 meeting and in particular that the IPSASB would consider Exposure Drafts on revenue with and without performance obligations and on transfer expenses for approval at its December meeting.

Removal of Special Purpose Financial Statements (SPFS) for Certain For-Profit Private Sector Entities (ED 297)

Agenda Item 10

The Board noted approximately 90% of participants in the roundtables and webinar held to date supported the proposals and the proposed effective date of 30 June 2020 in ED 297 *Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*. The majority of the participants also agreed with the proposed scope and the scope exemption for entities with non-legislative requirements to prepare financial statements.

The following views were expressed by multiple participants:

- the transitional relief from restating the comparative information should apply to all entities, whether or not their current SPFS comply with the recognition and measurement requirements of Australian Accounting Standards;



- due to software capabilities, the statement of financial position in the year of transition should include the current-period balances and the comparative, unadjusted balances as disclosed in the previous SPFS. The adjusted opening balances would be disclosed in the notes;
- the need to educate both accountants and lawyers that any change in the constituting document of an entity with non-legislative requirements could trigger a change in financial reporting requirements that then required compliance with Australian Accounting Standards; and
- mixed views in respect of whether Australian financial services licensees and 'grandfathered' entities should be in the scope of the Standard. (Grandfathered entities are entities exempted under the *Corporations Act 2001* from lodging financial statements on the public record, provided that various conditions are satisfied.)

The proposals in the ED and the feedback will be further considered by the Board at the next meeting.

Action:

Staff

General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (ED 295)

Agenda Item 11

The Board noted approximately 90% of participants in the roundtables and the webinar held to date agreed that the proposed Simplified Disclosure Standard should replace Reduced Disclosure Requirements (RDR) and preferred a stand-alone Standard. Although all participants welcomed the reduction in disclosures proposed in ED 295 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*, there were mixed views on the following issues:

- the proposed option to not include a statement of changes in equity;
- the proposed removal of a mandatory reconciliation between income tax expense and the product of accounting profit multiplied by the applicable tax rate; and
- whether there should be a requirement to disclose a maturity analysis for all financial liabilities or only for lease liabilities.

The majority of the participants further thought that proposed additional disclosures that were not required under full IFRS Standards should be removed.

The proposals in the ED and the feedback will be further considered by the Board at the next meeting.

Action:

Staff



AASB 15 – Research Grant Examples

Agenda Item 12

After considering the submissions received on the Fatal-Flaw Review draft of amendments to the illustrative examples attached to AASB 15 *Revenue from Contracts with Customers*, the Board decided to proceed with the amendments to Examples 4A and 4B, and to add Example 4D (previously Scenario 2A in the Staff FAQs) to illustrate additional contract features to help entities in implementing AASB 15.

The Board also decided to defer the mandatory application of AASB 15 and AASB 1058 *Income of Not-for-Profit Entities* by not-for-profit entities to research grants from periods beginning on or after 1 January 2019 to periods beginning on or after 1 July 2019, with earlier application permitted. This deferral would provide NFP entities with December year-ends with an extended implementation period in respect of research grants received. It would also enable the AASB staff to provide further education to address the continuing divergent views on revenue recognition for research grants, including a webinar and revised Staff FAQs.

Board members will vote out of session on a revised version of the amending Standard.

Action:	Staff
	Board members

Management Commentary

Agenda Item 13

The Board approved the project plan, including benchmarking reports comparing requirements in other jurisdictions across all sectors.

Action:	Staff
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Remuneration Reporting

Agenda Item 14

The Board approved the project plan, including a benchmarking report comparing requirements in other jurisdictions across all sectors.

Action:	Staff
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Intangible Assets

Agenda Item 15

The Board approved the project plan, including identifying user information needs and whether the information currently provided in financial statements in respect of internally generated intangible assets is sufficient.

Action: Staff

Primary Financial Statements

Agenda Item 16

The Board approved the project plan, including outreach to inform the AASB submission to the IASB in respect of the forthcoming IASB Exposure Draft on primary financial statements.

Action: Staff

Tier 2 Disclosures re Interest Rate Benchmark Reform

Agenda Item 17

The Board decided not to provide any Reduced Disclosure Requirements (RDR) concessions for Tier 2 entities in respect of the additional disclosure requirements in AASB 7 *Financial Instruments: Disclosures* introduced by AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* (October 2019). The Board concluded that the information needed for the additional disclosures is expected to be readily available to an entity that will apply the amendments in AASB 2019-3 to AASB 9 *Financial Instruments* and AASB 139 *Financial Instruments: Recognition and Measurement*.

Consultation Documents Open for Comment

Agenda Item 18

The Board agreed with the staff recommendations regarding the consultation documents to which the Board should respond. In particular, the Board decided:

- (a) not to comment on IASB ED/2019/6 *Disclosure of Accounting Policies* since the submissions received raised similar comments to those previously provided to IASB staff;
- (b) not to comment on the IFRIC tentative agenda decisions;
- (c) the IASB's forthcoming Exposure Draft regarding primary financial statements should be published by the AASB with the addition of a preface (to be approved by the Chair) identifying some particular Australian factors to take into account in considering the proposals in the ED;



- (d) to assess the significance of rate-regulation accounting in Australia before deciding whether to comment on a forthcoming IASB document; and
- (e) to comment on forthcoming IPSASB Exposure Drafts regarding revenue and transfer expenses.

Action: Staff
Chair

Update on International Meetings

Agenda Item 19

The Board noted the report on international standard-setter conferences and meetings attended by staff in September and October.

Action: Staff

Other Business – Public

Agenda Item 20

The Board noted the materials provided, including correspondence that would need to be considered at a future meeting.

The Board discussed the disclosure of audit fees in financial statements and noted that it would consider the outcome of the inquiry by the Parliamentary Joint Committee on Corporations and Financial Services into the regulation of auditing in Australia and views of the User Advisory Panel in carrying out any review of the disclosure requirements. No other decisions were made.

Other Business – Private

Agenda Item 21

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

Work Program and Priorities

Agenda Item 22

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 23

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



AASB 1054 – Disclosure of Compliance with Recognition and Measurement Requirements in Special Purpose Financial Statements

Agenda Item 24

The Board finalised requirements for not-for-profit private sector entities preparing and lodging special purpose financial statements (SPFS) with ASIC and ACNC – and other entities complying with AASB 1054 – to disclose information regarding compliance with the recognition and measurement requirements in Australian Accounting Standards by making Accounting Standard AASB 2019-4 *Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements*.

AASB 2019-4 applies to annual reporting periods ending on or after 30 June 2020, with earlier application permitted.

Action: Staff

AASB 1054 – Disclosure re New IFRS Standards Not Yet Issued in Australia

Agenda Item 25

Disclosure of the potential effect on the financial statements of new IFRS Standards that have not yet been issued by the AASB as Australian Accounting Standards will now be required by AASB 1054, to ensure IFRS compliance for for-profit publicly accountable entities, as the Board made Accounting Standard AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*.

AASB 2019-5 applies to annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

The Board concluded that its due process through publishing a Fatal-Flaw Review draft for a short comment period, and considering the submission received, was appropriate for this issue.

Action: Staff

Close of Meeting

The Chair closed the meeting at 5.00 pm on Thursday, 21 November 2019.

Approval

Signed by the Chair as a correct record,
this 5th day of March 2020