



Subject: Minutes of the 94th meeting of the AASB

Venue: Ken Spencer Room, AASB offices
Level 7, 600 Bourke St, Melbourne

Time(s): Wednesday 17 December 2008 from 8.30 a.m. to 5.30 p.m.
Thursday 18 December 2008 from 8.30 a.m. to 1.20 p.m.

All agenda items except items 1, 2 and 14 were discussed in public.

Attendance

Members	Bruce Porter (Acting Chairman) Glenn Appleyard Sue Highland Mark Jenkin Jan McCahey (from 9:15 a.m. Day 1) Frank Palmer (until 11:30 a.m. on Day 2) Kris Peach Joanna Perry Brett Rix Robert Williams
Apologies	John O'Grady Colin Parker
In Attendance	Peter Batten (IPSASB member) (Agenda items 4 & 5)
Staff	Clark Anstis (in part) Dean Arden (in part) Natalie Batsakis (in part) Glenn Brady (in part) Ahmad Hamidi (in part) Geoff Harris Rutendo Kaviya (in part) Robert Keys Latif Oylan (in part) Jim Paul (in part) Sabine Schühler (in part) Joanna Spencer (in part) Angus Thomson Raymond Yu (in part)

Apologies, Agenda, Minutes, Matters Arising from Minutes and Declaration of Interests

Agenda Item 1

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.

Minutes

The Board confirmed the minutes of the ninety-third meeting held on 13-14 November 2008.

Chairman's Report

Agenda Item 2

The Acting Chairman informed members of the following:

- (a) the announcement by Senator Sherry, Minister for Superannuation and Corporate Law, that Kevin Stevenson has been appointed full-time Chairman of the AASB for a term of five years commencing 1 July 2009. Members noted that the announcement of appointments/reappointments of members of the AASB is imminent;
- (b) of his attendance at the IASB/FASB roundtable on the Global Financial Crisis held in Tokyo on 3 December 2008. Members noted that Judith Downes also attended the Roundtable and reported on a brief survey of eight approved deposit-taking institutions she had undertaken for the FRC. The Chairman advised members that the roundtable process was useful and that the importance of appropriate due process, convergence of IFRSs and US GAAP and the need for a strong and independent international standard setter was emphasised by participants;
- (c) of discussions held with the Accounting Standards Board of Japan and that the AASB has been invited to become a core member of a proposed Asian Oceanian Standard Setters Group with an objective of improving co-operation on activities, in particular, contributing to the IASB. The Board agreed to accept the invitation;
- (d) of discussions at the Trans Tasman Accounting and Auditing Standards Advisory Group meeting held on 12 December attended by Angus Thomson, AASB Technical Director. Members were advised that the basis of differential reporting in both jurisdictions was discussed in addition to the process for adopting IFRSs. Members noted that while any changes to have IFRSs referred to directly in the law is a matter for government the AASB should also continue to explore ways of operating within the existing regime more efficiently;
- (e) issues concerning funding of the AASB;

- (d) amend draft ED 16X and Illustrative Examples C and D in Appendix C to confirm that non-controlling interests of a subsidiary should be measured in a manner consistent with AASB 127 *Consolidated and Separate Financial Statements* or at fair value at each reporting date;
- (e) when measuring non-controlling interests in a manner consistent with AASB 127 subsequent to the acquisition of the subsidiary by the parent, those non-controlling interests of a subsidiary would be allocated a relevant share of the net assets of the subsidiary that are recognised by the parent at each reporting date;
- (f) 'road test' the example financial statements in Appendix C of draft ED 16X against a typical superannuation plan to establish whether they represent an acceptable style and format under the draft ED; and
- (g) invite a constituent from the superannuation industry with relevant experience to undertake a detailed review of draft ED 16X prior to it being issued. The primary objective of the review is to confirm that the draft ED is internally consistent and, where relevant, consistent with the requirements in other Australian Accounting Standards when those requirements apply.

The Board agreed that draft ED 16X also be amended in accordance with the changes described in Attachment A to these minutes and to continue its deliberations on the draft ED at its February 2009 meeting.

Action: Staff

GAAP/GFS Harmonisation for Entities within the GGS

Agenda item 4

The Board had before it:

- (a) a memorandum from Robert Keys, dated 3 December 2008 (Agenda paper 4.1);
- (b) draft ED XX *Amendments to Australian Accounting Standards to facilitate GAAP/GFS Harmonisation for Entities within the GGS* [AASBs 101, 107 and 1051] (Agenda paper 4.2); and
- (c) extract from approved minutes: 24 September 2008 AASB meeting (Agenda paper 4.3).

The Board considered the draft Exposure Draft (ED XX) proposing GAAP/GFS harmonisation requirements for entities within the GGS to be effected through amendments to AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows* and AAS 1052 *Disaggregated Disclosures*. The Board approved the ED for issue, subject to it being amended to reflect the following (after final clearance through the Acting Chairman):

- (a) further clarify the types of entities to which the proposals would apply, by:
 - (i) amending the Preface to include:
 - an explanation of the GGS;
 - a reference to where lists of entities within the GGS might be located, for example those published by jurisdictions in budget papers; and

- an explicit statement that for-profit entities within the GGS would be subject to the proposals;
 - (ii) including in Appendix A a definition of governments, to help clarify that local governments are not subject to the proposals;
 - (iii) amending item (c) in the Main Features of this Exposure Draft section of the Preface, as marked-up in the following: 'AASB 1052 *Disaggregated Disclosures* to require entities within the GGS of governments, not just government departments, to apply the relevant requirements in that Standard';
 - (iv) amending the definition of 'entity within the GGS' by defining it directly (as in AASB 1049) rather than in the indirect way in which it was defined in the draft ED;
- (b) allow an entity within the GGS to adopt a net cost of services format for its statement of comprehensive income (and, in particular, amend paragraph BC3, including deleting the example in the third sentence of that paragraph); and
- (c) specifically request comments on a range of issues, including whether:
- (i) the proposals are necessary and/or sufficient to satisfy the objective of GAAP/GFS harmonisation for entities within the GGS;
 - (ii) it is appropriate for the proposals to apply to for-profit entities within the GGS;
 - (iii) it is appropriate to expand the application of AASB 1052 beyond government departments;
 - (iv) entities within the GGS should be subject to the principle in AASB 1049 *Whole of Government and General Government Sector Financial Reporting* that, where there is a choice in GAAP that aligns with GFS, that choice is mandated. (The ED will not include such a proposal);
 - (v) entities within the GGS should be subject to the same kind of budgetary reporting requirements that are specified in AASB 1049. (The ED will not include such a proposal); and
 - (vi) there is a need for specific transitional requirements to facilitate the adoption of the GAAP/GFS harmonisation proposals. (The ED will not include specific transitional requirements, and paragraph BC15 should be amended to explicitly refer to AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* as the source for the treatment where an entity within the GGS elects to change an accounting policy, consistent with GAAP, to align with GFS); and
- (d) amend the Basis for Conclusions to be consistent with the above decisions. The Basis for Conclusions should also be subjected to an editorial review by staff to improve its readability, having regard to Board members' editorial comments provided to staff out-of-session.

The Board also considered whether to:

- (a) elaborate on the definition of 'transactions' in the Preface and decided that it is not necessary as the ED makes a clear cross-reference to the ABS GFS manual in which GFS terms, including transactions, are defined and explained; and

- (b) to require, consistent with paragraph 41(a)(iv) of AASB 1049, entities within the GGS to disclose an explanation of key technical terms. The Board decided that such a requirement is not warranted, noting that entities could choose to make such disclosures.

The Board:

- (a) indicated its intention to issue the ED in January 2009 with a four-month comment period;
- (b) to develop, during the early stages of the comment period, an illustrative example of financial statements consistent with the proposals, ready for its consideration at roundtables that will be conducted in Melbourne and Canberra; and
- (c) will advise the dates of the roundtables on the website once they are determined.

The Board noted that the Victorian Department of Treasury and Finance (DTF) has developed a model set of financial statements for its government departments and considered that such model sets of financial statements might be suitable as a basis for an illustrative example of the proposals in the ED. Accordingly, consistent with earlier offers from the HoTARAC GFS/GAAP Harmonisation Working Group, the Board directed staff to ask the Working Group to lead the development of the illustrative example and suggested that it be based on the Victorian DTF work. The Board decided that it is not necessary for the example to be cleared through the Board. However, if any controversial issues emerge during the development of the example, they should be brought to the attention of the Board.

Action: Staff
Acting Chairman

Income from Non-Exchange Transactions

Agenda item 5

The Board had before it:

- (a) a memorandum from Clark Anstis dated 7 December 2008 (Agenda paper 5.1); and
- (b) a draft Exposure Draft based on IPSAS 23, showing potential amendments considered by the FRSB and AASB (Agenda paper 5.2).

The Board discussed a number of issues concerning the draft Exposure Draft (ED), as follows:

- (a) transitional provisions – various views were expressed concerning the requirements that would be appropriate, ranging from full retrospectivity to prospective application, except for recognised liabilities that would not meet recognition criteria. The Board agreed to reconsider the transitional provisions based on a comparison of the contents of the ED and the existing requirements in AASB 1004 *Contributions*;
- (b) the draft examples concerning property taxes, such as land taxes and local government rates – these raised many issues for the Board, including identifying the taxable event and whether local government rates are levied on a date or for a period, the effect of rate refunds from the local government if a rated property is sold by the owner, whether some or all local government rates in substance comprise both an exchange component (e.g. rubbish collection services) and a non-

exchange component, and the effect of different organisational arrangements through which local government services might be provided to ratepayers. For example, some members took the view that any amounts stated on rate notices for particular services might or might not represent appropriate amounts for exchange components, and some other members considered that these amounts are likely to be so arbitrary that rates should be regarded wholly as non-exchange transactions. The Board requested staff to address a range of scenarios for the provision of local government services in considering these issues further; and

- (c) the draft examples concerning certain inter-government transfers (Examples 19 and 20 in IPSAS 23) – the Board could not identify the rationale for the different outcomes in these examples, and decided to seek clarification of the examples from the IPSASB.

The Board noted that the mere specification of a time basis for a transfer would be insufficient under the proposals in the draft ED to allow the transferee to recognise the transfer as a liability initially and as revenue over the period specified for the use of the transferred resources: such a stipulation would not amount to a “condition on transferred assets”, as defined in the draft ED. The Board considered that this might not be clear from the draft ED itself and should therefore be emphasised in the Preface to the ED when it is drafted.

The Board discussed its previous decisions to make use of IPSAS 23 with as few changes as possible, and agreed to continue the project on that basis.

Action:	Staff
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Interpretations

Agenda item 6

The Board had before it:

- (a) a memorandum from Joanna Spencer dated 9 December 2008 (Agenda paper 6.1);
- (b) a paper: Interpretation issues in progress (IFRIC and domestic topics) (Agenda paper 6.2);
- (c) a memorandum from Joanna Spencer dated 10 December 2008 (Agenda paper 6.3);
- (d) *IFRIC Update* November 2008 (Agenda paper 6.3.1)
- (e) a memorandum from Natalie Batsakis, dated 9 December 2008 re Distributions of Non-cash Assets to Owners (Agenda paper 6.4);
- (f) draft AASB Interpretation 17 *Distributions of Non-cash Assets to Owners* (Agenda paper 6.4.1);
- (g) draft AASB Standard 2008-X *Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners* (Agenda paper 6.4.2);
- (h) draft amendments to draft AASB Interpretation 17 *Distributions of Non-cash Assets to Owners* (Agenda paper 6.4.3 – tabled);
- (i) a memorandum from Joanna Spencer, dated 9 December 2008 re Australian Superannuation Contributions Tax (Agenda paper 6.5);

- (j) draft Proposed Interpretation 10XX *Australian Superannuation Contributions Tax for Defined Benefit Obligations* (Agenda paper 6.5.1); and
- (k) an Illustrative Example accompanying draft Proposed Interpretation 10XX (Agenda paper 6.5.2).

Interpretations Issues in Progress

The Board:

- (a) reviewed the IFRIC and domestic Interpretations issues in progress and, in particular, the issue of whether an entity can be key management personnel under IAS 24 *Related Party Disclosures*. The Board noted that this issue has previously been raised with the IFRIC which referred it to the IASB for discussion in its *State-controlled Entities and the Definition of a Related Party* project and that the IASB decided not to address the issue as part of this project. Staff informed the Board that the issue may now be a concern in New Zealand. Therefore, the Board asked staff to liaise with New Zealand FRSB staff with a view to considering the preparation of a further submission to the IFRIC; and
- (b) asked staff to determine the status of a previous issue concerning *Split Investments in Associates in Consolidated Financial Statements* and report to the Board at its February 2009 meeting.

Australian Superannuation Contributions Tax

The Board decided:

- (a) that the Proposed Interpretation should not state whether the tax should be included in measuring a defined benefit asset or liability and that the scope of the Proposed Interpretation should be restricted to proposing that Australian taxes on superannuation contributions should be included in the measurement of the defined benefit obligation; and
- (b) not to include the example in a Proposed Interpretation.

The Board asked staff to prepare a revised draft Proposed Interpretation to be circulated to members for comment in January 2009 with a view to approving the Proposed Interpretation for exposure at its February 2009 Board meeting.

Distribution of Non-cash Assets to Owners

The Board approved AASB Interpretation 17 *Distribution of Non-cash Assets to Owners* that applies:

- (a) to distributions of non-cash assets except for non-cash distributions that are ultimately controlled by the same party or parties both before and after the distribution; and
- (b) prospectively to annual periods beginning on or after 1 July 2009 and prohibits retrospective application. The Board noted that if an entity applies AASB Interpretation 17 for a period beginning before 1 July 2009, it shall disclose that fact and also apply AASB 3 *Business Combinations* (March 2008, as amended), AASB 127 *Consolidated and Separate Financial Statements* (as amended in May 2008) and AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* (as amended by AASB Interpretation 17).

The Board decided that the application date wording of AASB Interpretation 17 *Distributions of Non-cash Assets to Owners* should be more closely aligned to the wording of IFRIC 17 *Distributions of Non-cash Assets to Owners* and as such made amendments to the wording of the 'Application Date' section within the Preface and paragraphs Aus17.2 to Aus17.3 in the body of the Interpretation.

The Board also made AASB 2008-13 *Amendments to Australian Accounting Standards Arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners*.

Action: Staff
Acting Chairman

Criteria for Modifying IFRS Requirements in respect of Not-for-Profit Entities

Agenda item 7

The Board had before it:

- (a) a memorandum from Angus Thomson dated 10 December 2008 (Agenda paper 7.1); and
- (b) a memorandum from Angus Thomson dated 3 December 2008, including draft *Process for Modifying IFRSs for Public Benefit Entities* (Agenda paper 7.2).

Ms Perry informed the Board about recent deliberations of the FRSB and the ASRB on the process for modifying IFRSs for public benefit entities in New Zealand.

The Board discussed the most recent draft *Process* document revised by the New Zealand FRSB and ASRB. The Board asked that the AASB staff and FRSB staff liaise with a view to being able to have the same document for use in Australia and New Zealand.

Action: Staff

AASB 139 Reclassification Amendments and Assets Backing Insurance Liabilities

Agenda item 8

The Board had before it:

- (a) a memorandum from Angus Thomson dated 4 December 2008 (Agenda paper 8.1);
- (b) ED 1XX *Amendment to AASB 139 – Reclassification of Financial Assets backing Insurance Liabilities or Life Investment Contract Liabilities* (Agenda paper 8.2);
- (c) Extract from AASB 139 *Financial Instruments: Recognition and Measurement* (Agenda paper 8.3); and
- (d) Amending Standard AASB 2008-10 *Amendments to Australian Accounting Standards – Reclassification of Financial Assets* [AASB 7 & AASB 139] (Agenda paper 8.4).

The Board decided not to continue with an ED proposing to amend the Aus application paragraphs of AASB 139 *Financial Instruments: Recognition and Measurement* to prohibit the amendments relating to reclassification of financial assets in AASB 2008-10 *Amendments to Australian Accounting Standards – Reclassification of Financial Assets* being used by entities applying AASB 1023 *General Insurance Contracts*

and AASB 1038 *Life Insurance Contracts* in respect of assets backing insurance liabilities. At this stage, the Board considers that it should not place further limitations on the use of options available within IFRSs, and plans to monitor the manner in which the reclassification option is being applied by insurers.

Action: Staff

Revenue Recognition

Agenda Item 9

The Board had before it:

- (a) a memorandum from Jim Paul dated 10 December 2008 (Agenda paper 9.1); and
- (b) a draft Invitation to Comment (ITC) on the forthcoming IASB-FASB Discussion Paper (DP) *Preliminary Views on Revenue Recognition in Contracts with Customers* (Agenda paper 9.2).

The Board decided:

- (a) to omit from the draft Preface all sections other than:
 - (i) 'Request for Comments'; and
 - (ii) 'Relationship to AASB Projects';
- (b) that the content of Prefaces to future ITCs that relate to IASB documents should be similarly restricted;
- (c) to hold roundtables on the DP during the comment period. In this regard, the Board decided that if a roundtable is warranted by the nature of the topic, it should be organised regardless of the number of other roundtables scheduled for around that time;
- (d) any other consultation with constituents should be organised through industry groups and the professional accounting bodies, to avoid diffusion of effort;
- (e) there is no need to consult specifically with agricultural producers on this topic, because the potential implications for them of the Revenue Recognition project relate to a matter of display only; and
- (f) during consultation, any local government participants should be asked whether their revenue-generating activities involve contracts with customers.

Action: Staff

Borrowing Costs

Agenda Item 10

The Board had before it:

- (a) a memorandum from Latif Oylan dated 9 December 2008 (Agenda paper 10.1);
- (b) a draft submission on IPSASB's ED 35 IPSAS 5 *Borrowing Costs* (Agenda paper 10.2);
- (c) a letter containing HoTARAC's comments on IPSASB's ED 35 IPSAS 5 *Borrowing Costs* (Agenda paper 10.3);

- (d) IPSASB's ED 35 IPSAS 5 *Borrowing Costs* (Agenda paper 10.4); and
- (e) a letter from Don Challen, HoTARAC Chairman, dated 1 December 2008, re withdrawal of the option to expense borrowing costs (Agenda paper 10.5).

In its submission to the IPSASB the Board decided to reaffirm its position that mandatory capitalisation of borrowing costs is not supportable on conceptual grounds.

The Board discussed HoTARAC's request to defer the withdrawal of the option to expense borrowing costs and, on balance, decided that deferral is appropriate on the basis that:

- (a) there is an interrelationship between the revaluation model commonly adopted by public sector not-for-profit entities, the use of depreciated replacement cost (DRC) within that model, and the capitalisation of borrowing costs. The Board noted that the New Zealand FRSB is undertaking work on the relationship between DRC and borrowing costs, and the outcome of that work may inform the AASB on the appropriate treatment of borrowing costs in the public sector. The Board agreed to participate in the FRSB's work. The Board also noted that the FRSB has deferred the withdrawal of the expensing option for public benefit entities;
- (b) the Board is still developing its *Process for Modifying IFRSs*, and the treatment of borrowing costs will provide a test case for that *Process* once it is developed, particularly in light of the fact that the Board does not support the mandatory capitalisation treatment of borrowing costs on conceptual grounds; and
- (c) the IPSASB has a project that is considering the treatment of borrowing costs by public sector not-for-profit entities.

The Board expects that the deferral would cease when the IPSASB has finalised an IPSAS and the Board has considered its suitability in an Australian context in light of the outcome of FRSB/AASB DRC work and the *Process for Modifying IFRSs*.

Action: Staff
Acting Chairman

Differential Reporting /SMEs

Agenda item 11

The Board had before it:

- (a) a memorandum from Ahmad Hamidi and Raymond Yu dated 8 December 2008 (Agenda paper 11.1);
- (b) staff paper 'The Nature of Financial Statements Lodged on a Public Register' (Agenda paper 11.2);
- (c) staff paper 'The Nature of the Financial Statements Available to the Public at Large in ways other than Lodgement on a Public Register' (Agenda paper 11.3);
- (d) correspondence with Attorney-General's Department (Agenda paper 11.4); and

- (e) staff paper 'The Definition of General Purpose Financial Report' (Agenda paper 11.5).

The Board redeliberated the proposal in ITC 12 *Request for Comment on a Proposed Revised Differential Reporting Regime for Australia and IASB Exposure Draft of A Proposed IFRS for Small and Medium-sized Entities* that:

“all financial reports that are on a public register, such as those prepared and lodged with the Australian Securities and Investments Commission (ASIC) under the Corporations Act, or otherwise made available to the public at large, such as those tabled in a Parliament, would be regarded as general purpose financial reports”

and tentatively agreed that financial statements made available to the public at large under a legal mandate would be general purpose financial statements.

The Board also discussed the notion that 'financial statements' voluntarily made available to the public at large would be general purpose if they are held out to be general purpose financial statements. The Board asked staff to prepare an outline of the process that the Board could undertake to advance its thinking on the basis of its tentative decisions, including the practical implications of those decisions, for consideration at a future meeting.

Action: Staff

Other Business

Agenda item 12

The Board had before it:

- (a) a Table summarising current and soon to be issued IASB and IPSASB documents, as at 1 December 2008 (Agenda paper 12.1);
- (b) a memorandum from Sabine Schühler dated 10 December 2008 re “Proposed Amendments to AASB 124 *Related Party Disclosures*” (Agenda paper 12.1.1);
- (c) IASB Post Ballot Draft Exposure Draft *Relationships with the State* (proposed amendments to IAS 24 *Related Party Disclosure*) (Agenda paper 12.1.2);
- (d) a memorandum from Robert Keys dated 10 December 2008 re IASB EDs regarding Income Tax and Consolidations (Agenda paper 12.1.3).
- (e) a letter from Dean Yates, Deputy Secretary, Department of Treasury and Finance, Victoria dated 25 November 2008 re staff comments on the DTF Discussion Paper (Agenda paper 12.2);
- (f) *FASB Alert* (November 2008) (Agenda paper 12.3);
- (g) a letter to interviewees dated 27 November 2008 re Discussion Paper *Initial Accounting for Internally Generated Intangible Assets* (Agenda paper 12.4.1);

- (h) a letter to Henry Klompas, Canadian Institute of Chartered Accountants, dated 27 November 2008 re Discussion Paper *Initial Accounting for Internally Generated Intangible Assets* (Agenda paper 12.4.2);
- (i) a letter to Sue Bielstein, FASB, dated 27 November 2008 re Discussion Paper *Initial Accounting for Internally Generated Intangible Assets* (Agenda paper 12.4.3);
- (j) a letter to Alan Teixeira, IASB, dated 27 November 2008 re Discussion Paper *Initial Accounting for Internally Generated Intangible Assets* (Agenda paper 12.4.4);
- (k) a letter from John Broadbent, Head, Domestic Markets, Reserve Bank of Australia, dated 25 November 2008 re corporate bond market (Agenda paper 12.5);
- (l) notes from Judith Downes re IASB/FASB Roundtable held on 14 November 2008 re Global Financial Crisis (Agenda paper 12.6.1);
- (m) details of US and Asian Roundtables (Agenda paper 12.6.2);
- (n) notes from Judith Downes on SAC Meeting held 13-14 November 2008 (Agenda paper 12.6.3);
- (o) FRC Bulletin 2008/5- 3 December 2008 re IASB/FASB Tokyo roundtable (Agenda paper 12.6.4);
- (p) FRC December 2008 Report to joint IASB/FASB Roundtable re Global Credit Crisis (Agenda paper 12.6.5);
- (q) letters to Kerrie Kelly, CEO, Insurance Council of Australia and Paul Rogan, CFO, Challenger, dated 18 November 2008 re reclassification of financial assets (Agenda paper 12.7);
- (r) a letter to Michael Ventner, Executive General Manager, Group Finance, CBA, dated 18 November 2008 re inconsistency in accounting standards for valuation of financial assets and liabilities (Agenda paper 12.8);
- (s) Report on IPSASB meeting (October 2008) (Agenda paper 12.9);
- (t) AASB submission to IASB dated 18 November 2008 re Annual Improvements (Agenda paper 12.10);
- (u) a memorandum from Natalie Batsakis dated 9 December 2008 re reclassification of financial assets (Agenda paper 12.11); and
- (v) Draft Proposed AASB 2008-X *Amendments to Australian Accounting Standards – Reclassification of Financial Assets – Effective Date and Transition* (Agenda paper 12.11.1).

IASB Exposure Drafts

Agenda papers 12.1 – 12.1.3

The Board noted that the IASB has recently issued an ED on Related Party Disclosures (comment date 13 March 2009) and will issue shortly EDs on Consolidated Financial Statements (expected comment date 20 March 2009) and Income Taxes (expected comment date mid-May 2009).

The Board agreed that each ED should be issued as an AASB ED as soon as possible and include a brief Australian Preface highlighting areas identified as being particularly pertinent to Australian constituents, as follows:

- (a) the Australian Preface to the Related Party Disclosures ED should:
 - (i) draw to the attention of Australian constituents that the proposals only affect for-profit entities controlled, jointly controlled or significantly influenced by the state and that the Board is undertaking separate research on related party issues in the not-for-profit public sector;
 - (ii) to assist in the Board's ongoing research, ask for comments on whether a similar approach should be taken for not-for-profit entities controlled, jointly controlled or significantly influenced by the state; and
 - (iii) note the broad nature of the proposed exemption being all transactions between entities controlled, jointly controlled or significantly influenced by the state, and not just arm's length transactions;
- (b) the Australian Preface to the Consolidated Financial Statements ED should note the Board is progressing a separate project on 'control in the public sector'; and
- (c) the Australian Preface to the Income Taxes ED should:
 - (i) note the implications for the existing suite of AASB Interpretations that currently address accounting for income taxes issues;
 - (ii) invite specific comment on the implications of the proposals for not-for-profit entities; and
 - (iii) ask constituents whether the examples to be included in the proposed Implementation Guidance adequately illustrate the types of issues that are encountered in practice that give rise to the greatest debate about implementing the temporary difference approach.

To give the Board time to consider the views of Australian constituents in writing its own submissions to the IASB, Australian constituents will be asked to comment to the Board as follows:

- (a) Related Party Disclosures 15 February 2009;
- (b) Consolidated Financial Statements 22 February 2009; and
- (c) Income Taxes 30 March 2009.

The Australian Preface for each ED will be prepared by staff and cleared through the Acting Chairman out of session.

In relation to the Consolidated Financial Statements ED, the Board requested that staff conduct a brief 'education' session at the February 2009 meeting, and provide the Board with a plan for consulting in a targeted way with constituents (for example, managed investment schemes and financial institutions).

Action: Staff
Acting Chairman

Reclassification of Financial Assets

Agenda papers 12.11 – 12.11.1

The Board made AASB 2008-12 Amendments to Australian Accounting Standards – Reclassification of Financial Assets – Effective Date and Transition which clarifies the effective date of the amendments made to AASB 7 Financial Instruments: Disclosure and AASB 139 Financial Instruments: Recognition and Measurement by AASB 2008-10 Amendments to Australian Accounting Standards – Reclassification of Financial Assets.

Other items

The Board noted the remaining items and correspondence.

Submissions to the IASB

Agenda item 13

Earnings per Share

Agenda Item 13.1

The Board had before it:

- (a) a memorandum from Angus Thomson and Rutendo Kaviya dated 5 December 2008 (Agenda paper 13.1.1);
- (b) a draft AASB submission on the IASB's Exposure Draft *Simplifying Earnings per Share: Proposed amendments to IAS 33* (Agenda paper 13.1.2);
- (c) comment letters received on AASB Exposure Draft 166 *Simplifying Earnings per Share: Proposed amendments to AASB 133* (Agenda paper 13.1.3); and
- (d) AASB ED 166 which includes the IASB's Exposure Draft (Agenda paper 13.1.4).

Although the Board was generally supportive of the proposals in the Exposure Draft, it agreed to make the following comments in its submission to the IASB:

- (a) the revisions to IAS 33 *Earnings per Share* should be a relatively low priority for the IASB given the importance of other projects on the IASB's current work program;
- (b) the IASB has continued to take a rules-based approach in its redrafting of IAS 33;
- (c) gross physically-settled contracts to repurchase an entity's own shares and mandatorily redeemable ordinary shares should be included in the denominator of the EPS calculation;
- (d) for instruments measured at fair value through profit or loss, the fair value movement does not always reflect the overall impact of those instruments, and the proposed method may not show the potential burden of dilution from those instruments;
- (e) requiring entities to test for the most dilutive outcome between the assumed conversion approach and the two-class approach unnecessarily complicates the EPS calculation; and

- (f) alternative EPS numbers may provide useful information to users, so it is important for them to be able to be presented together with the prescribed EPS numbers.

The Board agreed that staff should finalise the submission with Mr Rix and the Acting Chairman.

Action:	Staff
	Mr Rix
	Acting Chairman

Additional Exemptions for First-Time Adopters: Proposed Amendments to IFRS 1

Agenda item 13.2

The Board had before it:

- (a) a memorandum from Raymond Yu and Glenn Brady dated 2 December 2008 (Agenda paper 13.2.1);
- (b) draft AASB submission on the IASB's Exposure Draft *Additional Exemptions for First-time Adopters: Proposed Amendments to IFRS 1* (Agenda paper 13.2.2); and
- (c) list of submission and a submission on ED 168 *Additional Exemptions for First-time Adopters: Proposed amendments to AASB 1*(Agenda paper 13.2.3).

The Board agreed to submit the AASB comment letter to the IASB without amendment.

Improving Disclosures about Financial Instruments: Proposed Amendments to IFRS 7

Agenda item 13.3

The Board had before it:

- (a) a memorandum from Raymond Yu and Robert Keys dated 2 December 2008 (Agenda paper 13.3.1);
- (b) a draft AASB submission on the IASB's Exposure Draft *Improving Disclosures about Financial Instruments: Proposed amendments to IFRS 7* (Agenda paper 13.3.2);
- (c) a list of submissions and submissions on ED 169 *Improving Disclosures about Financial Instruments: Proposed amendments to AASB 7* (Agenda paper 13.3.3); and
- (d) a collation of submissions on ED 169 (Agenda paper 13.3.4 – Tabled).

The Board considered submissions on AASB ED 169 *Improving Disclosures about Financial Instruments: Proposed amendments to AASB 7*, which contained the corresponding IASB ED.

The Board decided that its submission to the IASB should express general support for the IASB proposals.

Discontinued Operations: Proposed Amendments to IFRS 5

Agenda item 13.4

The Board had before it:

- (a) a memorandum from Raymond Yu and Robert Keys dated 2 December 2008 (Agenda paper 13.4.1);

- (b) a draft submission on the IASB's Exposure Draft *Discontinued Operations: Proposed Amendments to IFRS 5* (Agenda paper 13.4.2); and
- (c) a list of submissions and submissions on ED 167 *Discontinued Operations: Proposed Amendments to AASB 5* (Agenda paper 13.4.3).

The Board considered submissions on AASB ED 167 *Discontinued Operations: Proposed Amendments to AASB 5*, which contained the corresponding IASB ED.

The Board decided that its submission to the IASB should note its fundamental concern that the IASB proposals do not improve the current requirements relating to discontinued operations. This is because increasing the level at which a discontinued operation is identified to an operating segment means that certain significant discontinued activities would not be presented as such.

Action: Staff

Review

Agenda item 14

Members:

- (a) discussed the need to streamline the process for issuing IASB Exposure Drafts, Invitations to Comment and Discussion Papers in Australia and agreed that reasonable protocols should be developed to clarify that process; and
- (b) indicated that, as far as practicable, agenda items requiring a decision by the Board should be given a separate agenda item number rather than being included in 'other business'.

Appreciation

Ms McCahey informed members of her retirement from the Board. The Acting Chairman and members thanked Jan McCahey for her contributions to the activities of the Board and to standard setting domestically and internationally.

Close of Meeting

The Acting Chairman closed the meeting at 1.20 p.m. on 18 December 2008.

Approval

Signed by the Acting Chairman as a correct record
this fifth day of February 2009.

ATTACHMENT A

Superannuation Plans and Approved Deposit Funds

Agenda item 3

The Board considered draft ED 16X *Superannuation Plans and Approved Deposit Funds* (Agenda paper 3.2) and decided to amend:

- (a) paragraph 8 by inserting a cross-reference to the relevant paragraphs of Appendix B;
- (b) paragraph 8(a) by replacing the words 'relevant in view of' with the words 'consistent with' and by deleting the words 'fair value' and amending paragraphs 21(b) and AG1 of Appendix B to be consistent with the amendments to paragraph 8(a);
- (c) the ED by inserting a 'black letter' paragraph after paragraph 12 to clarify that a superannuation plan's or approved deposit fund's liability for defined contribution members' benefits is the amount of such members' vested benefits;
- (d) paragraph 20(b) by deleting sub-paragraph (ii) to be consistent with the approach in paragraph 61 of AASB 112 *Income Taxes*;
- (e) paragraph 26(c) by relocating the contents of paragraph 26(c) to an appropriate location in Appendix B to be consistent with minute item 3 second (b);
- (f) paragraph 44 by deleting the first sentence and amending the second sentence to clarify that, to meet the objective in paragraph 43, a superannuation plan or approved deposit fund discloses, when relevant, information in accordance with paragraph AG84 of Appendix B;
- (g) paragraph AG2 of Appendix B by:
 - (i) inserting the words 'but not limited to' after the word 'include';
 - (ii) including references to AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 118 *Revenue* and AASB 1038 *Life Insurance Contracts*; and
 - (iii) clarifying that a superannuation plan or approved deposit fund would need to use judgment in determining whether other Standards are relevant;
- (h) paragraph AG6 of Appendix B by deleting the words 'including the derecognition criteria in paragraphs 15-42 of AASB 139 *Financial Instruments: Recognition and Measurement*;
- (i) paragraph AG17 of Appendix B to clarify that a superannuation plan with defined benefit members would attribute such members' benefits to reporting periods on a basis appropriate to the plan's circumstances;
- (j) paragraphs AG20 and AG21 of Appendix B to be consistent with the approach in the amendments to paragraph AG17 of Appendix B described in (i) above;
- (k) paragraph AG32 of Appendix B to be consistent with the wording in paragraph 8.8.2 of AASB 1038;

- (l) paragraph AG36 of Appendix B to clarify that an investment reserve would normally comprise earnings of the superannuation plan or approved deposit fund that have not been allocated to members;
- (m) paragraphs AG41 – AG47 of Appendix B to be consistent with the amendments to paragraph 26 described in minute item 3 second (b);
- (n) paragraph AG65(a) of Appendix B to be consistent with the proposed amendments to paragraph 39 of IFRS 7 *Financial Instruments: Disclosures* in the IASB's ED *Improving Disclosures about Financial Instruments*;
- (o) sub-paragraphs AG66(a)(iii) and (b)(ii) of Appendix B by including a footnote to clarify that the term 'profit or loss' refers to a superannuation plan's or approved deposit fund's net earnings before any allocations to members;
- (p) paragraphs AG67-AG69 of Appendix B by deleting all references to key management personnel;
- (q) paragraph AG69 of Appendix B by replacing the words 'would form the basis of' with the words 'is relevant to formulating';
- (r) paragraph AG75 of Appendix B by deleting sub-paragraph (b);
- (s) paragraph AG84 of Appendix B by:
 - (i) deleting sub-paragraph (a);
 - (ii) inserting the words 'or trustees' after the word 'trustee' in sub-paragraphs (b)(ii) and (c)(ii); and
 - (iii) deleting sub-paragraph (c)(i);
- (t) Illustrative Examples A and B in Appendix C of the draft ED by:
 - (i) replacing the term 'minority interest' with 'non-controlling interests';
 - (ii) amending the consolidated income statements to reflect the allocation of net operating profit after income tax between non-controlling interests and members;
 - (iii) including, subject to further consideration, contributions in the example Consolidated Statement of Changes in Members' Accrued Benefits in Illustrative Example B;
 - (iv) including benefit payments in the example Consolidated Statement of Changes in Members' Accrued Benefits in Illustrative Example B;
 - (v) providing example financial statements for a superannuation plan with defined contribution members only and explaining how the financial statements of a superannuation plan with only defined benefit members would differ from those of a superannuation plan with only defined contribution members;
- (u) Illustrative Examples C and D of Appendix C to demonstrate that, under the proposals in the draft ED, non-controlling interests that are not measured at fair value subsequent to the acquisition of the

subsidiary by the parent would be allocated a share of any post-acquisition remeasurement changes in the fair values adjusted for transaction costs of the subsidiary's:

- (i) recognised assets and liabilities (except for tax balances). The non-controlling interests would be allocated a share of the subsidiary's tax balances measured in accordance with AASB 112 *Income Taxes*; and
- (ii) assets and liabilities that were identifiable at the date of its acquisition in accordance with AASB 3 *Business Combinations*.

Accordingly, at each reporting date, non-controlling interests in a subsidiary that are not measured at fair value subsequent to the acquisition of the subsidiary by the parent would be allocated a relevant share of the net assets of the subsidiary that are recognised by the parent at that date;

- (v) paragraph BC48(b) in the Basis for Conclusions to:
 - (i) be consistent with the amendments to paragraphs AG17, AG20 and AG21 of Appendix B described in (i) and (j) above;
 - (ii) explain why the proposals in draft ED 16X in respect to the measurement of defined benefit obligations are different from the corresponding requirements in AASB 119 *Employee Benefits*; and
- (w) reduce the number of issues identified in the specific matters for comment section of the Preface.