



Issue: Number 133
Date: 30 April 2010
Subject: AASB Meeting 106, 28-29 April 2010

Differential Reporting

The Board considered staff papers and a presentation updating members on the direction of comment letters received in respect of ED 192 *Revised Differential Reporting Framework* and the related Consultation Paper *Differential Financial Reporting – Reducing Disclosure Requirements*. The Board also noted developments in other jurisdictions in relation to the IASB's *IFRS for SMEs*.

The Board noted that it would be considering the ED 192 comment letters in detail at the May 2010 meeting.

Superannuation

The Board continued its redeliberations on ED 179 *Superannuation Plans and Approved Deposit Funds*. The Board considered constituents' comments on issues not directly related to a specific matter for comment in ED 179 and made a number of decisions, including that the replacement Standard for AAS 25 *Financial Reporting by Superannuation Plans* should:

- (a) clarify that a superannuation plan or approved deposit fund (ADF) that recognises a surplus or deficiency of net assets should present additional line items, headings and subtotals in the financial statements when such presentation is relevant to understanding the entity's financial position;
- (b) not require a plan or ADF to separately disclose investment management fees from other investment-related expenses;
- (c) require a plan to disclose information in relation to the amount of benefits payable to defined contribution members in circumstances where their departure is not voluntary if the amount of benefits payable is greater than the amount of such members' vested benefits;
- (d) require a plan or ADF to apply the principles and requirements in AASB 7 *Financial Instruments: Disclosures*, as appropriate. Accordingly, under the replacement Standard, a plan or ADF would provide disclosures that enable users to evaluate, among other things, the nature and extent of risks arising from financial instruments to which the entity is exposed, and how the entity manages those risks; and
- (e) refer to the principles and requirements anticipated in the IASB's forthcoming Fair Value Measurement Standard.

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The Board also briefly discussed the IASB and FASB's tentative decisions to date in relation to accounting for subsidiary by investment companies. The Board decided that, as the issue of investment company accounting has implications beyond superannuation entities, the issue may need to be dealt with separately from the Board's deliberations on ED 179, subject to the timing of any IASB ED on investment company accounting and the timing of completion of a replacement Standard for AAS 25.

The Board will continue its redeliberations at its June 2010 meeting.

Financial Instruments

The Board received an update on the IASB Replacement of IAS 39 project, in particular:

- (a) classification and measurement of financial liabilities;
- (b) derecognition of financial assets and financial liabilities;
- (c) hedge accounting; and
- (d) impairment of financial assets (Amortised Cost and Impairment ED).

The Board noted that:

- (a) the IASB plans to issue an ED, in May 2010, on the classification and measurement of financial liabilities with a comment period of 60 days. The ED will propose changes to only the recognition and disclosure requirements in relation to the impact of own credit risk on financial liabilities designated at fair value;
- (b) the IASB plans to issue EDs on the derecognition model for financial assets and financial liabilities and hedge accounting in the second quarter of 2010; and
- (c) the IASB issued a user survey on the Amortised Cost and Impairment ED for comment by analysts and investors by 30 June 2010. AASB staff will liaise with the AASB User Focus Group to encourage responses.

The Board also considered key issues/concerns raised at the March 2010 Roundtables, held in Melbourne and Sydney, relating to the Amortised Cost and Impairment ED. The Board expressed concern about the conceptual basis for the IASB proposed model—in that the recognition of impairments is to be a function of revenue recognition.

Staff will continue to monitor the IASB's progress on the Replacement of IAS 39 project, and undertake a comprehensive review of the FASB's Accounting for Financial Instruments project in comparison with the IASB proposals.

Joint Arrangements

The Board received an update on the IASB's tentative decisions to date on the Joint Ventures project as a background to considering the forthcoming replacement Standard for IAS 31 *Interests in Joint Ventures*, which the IASB plans to issue by June 2010.

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The Board noted the likely changes to the terminology and disclosure requirements and the likely removal of the proportionate consolidation option permitted under the existing IAS 31.

The Board also discussed a number of other matters relating to the IASB's project and agreed to encourage the IASB to:

- (a) reconsider its decision not to resolve, as part of the Joint Ventures project, the inconsistency between IAS 27 *Consolidated and Separate Financial Statements* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* regarding the accounting for gains and losses resulting from contributions of non-monetary assets to jointly controlled entities; and
- (b) consider clarifying whether a non-controlling party to a joint operation with a different functional currency should treat its interest as a 'foreign operation' (as defined in IAS 21 *The Effects of Changes in Foreign Exchange Rates*) by virtue of being a 'branch' and therefore be permitted to use foreign currency translation reserve accounting.

Interpretations

The Board received an update on the March 2010 IFRS Interpretations Committee's (formerly the International Financial Reporting Interpretations Committee) meeting, which included an update on two current projects: vesting and non-vesting conditions for share-based payment transactions and accounting for production stripping costs. The Board also noted the tentative and final agenda decisions made at the March 2010 Committee meeting.

NSS Emerging Issues

The Board noted that, at the April 2010 meeting of the National Standard Setters (NSS), consideration was given to:

- (a) whether IFRS 1 *First-time Adoption of International Financial Reporting Standards* can be applied more than once by the same entity;
- (b) whether key management personal can include entities other than people under IAS 24 *Related Party Disclosures*; and
- (c) whether property, plant and equipment under construction can be measured at fair value under IAS 16 *Property, Plant and Equipment*.

The Board further noted that there was support among NSS for taking each of these issues for consideration by the IASB, particularly in respect of (a) and (b), and that (a) is already the subject of a forthcoming IFRIC paper.

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GAAP/GFS Harmonisation – Entities within the GGS

The Board has discussed the responses to Exposure Draft ED 174 *Amendments to Australian Accounting Standards to facilitate GAAP/GFS Harmonisation for Entities within the GGS [AASBs 101, 107 and 1052]* over a number of meetings. Consistent with those deliberations, at this meeting, the Board decided to develop a further ED to seek comments on a range of proposals that, as a package, differ from the proposals in ED 174. Accordingly, at a future meeting, the Board will consider a draft ED that adopts GAAP/GFS harmonisation principles to the extent they improve the quality of financial reporting by not-for-profit entities within the GGS. In particular, the draft ED will include the following proposals:

- (a) in relation to recognition and measurement – require a choice in GAAP to be limited to align with GFS;
- (b) in relation to classification and presentation – require information to be disclosed in the notes that combines controlled/departmental items and administered items, presented using GAAP/GFS harmonised classification principles (including the distinction between transactions and other economic flows);
- (c) in relation to disclosure of budgetary information – require disclosure of the same kind of budgetary information, and under the same circumstances, that is specified in AASB 1049 *Whole of Government and General Government Sector Financial Reporting* for GGSs and whole of governments; and
- (d) in relation to transitional issues:
 - (i) adopt the same kind of transitional requirements contained in AASB 1049 for whole of governments; and
 - (ii) allow a period of three years from the issue of any Standard that arises from the ED before it becomes mandatory.

The draft ED will propose and take the form of a stand-alone Standard that incorporates relevant ABS GFS Manual principles.

The Board noted the importance of disaggregated information disclosures and decided that, rather than incorporate proposals into the ED, a separate project should be initiated and given a high priority.

Impairment of Statutory Receivables

The Board confirmed its view that AASB 136 *Impairment of Assets* (rather than AASB 139 *Financial Instruments: Recognition and Measurement*) applies to the impairment of statutory receivables because of the non-contractual nature of such receivables. The Board also noted that in applying paragraph 23 of AASB 136, which refers to the use of estimates, averages and computational short cuts, the determination of the unit of account at which statutory receivables would be assessed for impairment under AASB 136

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requires the exercise of judgement having regard to the circumstances. The Board decided that neither an Aus paragraph nor a Board Agenda Decision explicitly addressing the impairment of statutory receivables is warranted.

The Board also considered whether to initiate a project on the broader topic of disclosures about statutory receivables, particularly to consider whether disclosures compatible with AASB 7 *Financial Instruments: Disclosures* should be required. The Board decided not to initiate such a project, and instead decided to monitor and participate in any work that the IPSASB might undertake in relation to statutory receivables.

Liabilities

The IASB is developing a replacement for IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, which it plans to issue in the third quarter of 2010. The Board considered whether the corresponding AASB Standard should include a modification similar to paragraphs Aus26.1 and Aus26.2 of AASB 137, which provide guidance on when a local government, government department or government incurs a liability in respect of a local government's or government's existing public policy, budget policy, election promise or statement of intent.

The Board decided that, in respect of public sector not-for-profit entities, the expected new Standard should preserve the present treatment of the items addressed by paragraphs Aus26.1 and Aus26.2 of AASB 137. The Board will work with the FRSB to achieve a common modification to the new IFRS in Australia and New Zealand. The Board intends to express the modification as a scope exclusion.

Related Party Disclosures in the Public Sector

The Board considered an Issues Paper on whether AASB 124 *Related Party Disclosures*, including its disclosure requirements on remuneration of key management personnel, should be applied to not-for-profit (NFP) public sector entities and an Information Paper on current NFP public sector entity related party disclosure practice in the Commonwealth and the States and Territories.

The Board has tentatively agreed to adopt the FRSB's approach of exempting certain Ministers, as a solution to the issue of entities disclosing related party transactions with Ministers. The Board agreed to consider a paper at a future Board meeting dealing with:

- (a) how the FRSB's approach would apply in the Australian context; and
- (b) the application of the 'key management personnel' disclosure requirements in AASB 124 to the public sector.

Emerging Issues: Consolidation

The Board considered issues related to extending the relief from preparing consolidated financial statements that is provided to intermediate parent entities under paragraph 10 of AASB 127 *Consolidated and Separate*

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Financial Statements to situations where the ultimate parent does not comply with International Financial Reporting Standards (IFRSs), but complies with:

- (a) Australian Accounting Standards, including some of the Aus paragraphs that relate to not-for-profit entities; and
- (b) a 'Tier 2' regime, such as the proposed Reduced Disclosure Regime.

The Board identified a number of issues that need to be further considered, including the view that:

- (a) a 'Tier 1' intermediate parent, such as a publicly accountable entity, should only be allowed relief where the consolidated financial statements of the ultimate parent complies with 'Tier 1' reporting requirements; and
- (b) it may not be appropriate to allow relief to a for-profit intermediate parent where the ultimate parent is a not-for-profit entity preparing consolidated financial statements in accordance with Australian Accounting Standards, including some of the Aus paragraphs that relate to not-for-profit entities.

The Board decided that an analysis of the different possible scenarios should be prepared for consideration at a future meeting to enable members to consider the likely impacts of changing the conditions for relief.

IPSASB Report

The Board received an update on the April 2010 meeting of the IPSASB from Tim Youngberry, the Australian member of IPSASB. The Board noted that the IPSASB continued its discussion of potential changes to its governance arrangements as well as its strategy and project priorities for the triennium 2010-2012. The Board also noted the priority that the IPSASB is giving to its conceptual framework project, with more than half of the IPSASB's meeting time devoted to framework issues.

AASB Planning

Following on from the AASB/NZ FRSB joint planning day in March 2010, the Board held a private planning session and discussed a wide range of issues that affect the working of the Board and staff. The broad themes discussed, from both a short and longer-term perspective, included:

- (a) how the Board could best enhance effective communication to facilitate engagement with stakeholders. This will include organising objective driven discussions with key constituents, including HoTARAC and ACAG, to discuss technical issues and the agenda;
- (b) how best to position the Board as a thought leader in both the regional and global accounting standard-setting environments; and
- (c) the role the Board should continue to play in promoting adoption of IFRSs globally.

These matters will be discussed further by the Board.

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The Board agreed to request that submissions on its future consultative documents be lodged with the AASB electronically, and that those submissions will be posted on the AASB website shortly after the closing date for comment.

Minutes

The Board approved the minutes of Meeting 105, held on 17-18 March 2010. These are now available on the website.

Documents Open for Comment

The following documents are open for comment.

AASB submissions to the IASB, IFRIC or IPSASB are published on the AASB website.

Originating Organisation	Topic	AASB No	AASB Due Date	IASB/IFRIC/IPSASB Due Date
IPSASB	Reporting on the Long-Term Sustainability of Public Finances	ITC 22	Closed	30 Apr 2010
IASB	Measurement of Liabilities in IAS 37	ED 191	Closed	19 May 2010
IASB	Financial Instruments: Amortised Cost and Impairment	ED 189	17 May 2010	30 Jun 2010
IPSASB	Service Concession Arrangements: Grantor	ED 194	24 May 2010	30 Jun 2010
IPSASB	Improvement to IPSASs	N/A	N/A	30 Jun 2010
IASB	Conceptual Framework for Financial Reporting: The Reporting Entity	ED 193	21 Jun 2010	16 Jul 2010
IASB	Extractive Activities	ITC 23	2 Jul 2010	30 Jul 2010
IASB	Defined Benefit Plans	TBA	TBA	6 Sep 2010

Next Meeting on 17 May 2010

It is anticipated that the Board will deal with the following item:

- Differential Reporting

2010 Meeting Dates

Remaining 2010 meeting dates are:

- Jun 9-10
- Jul 28-29

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- Sep 1-2
- Oct 27-28 (Wellington, NZ)
- Dec 8-9

Unless indicated otherwise, meetings are held in Melbourne.

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