



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 163
14 February 2014

Welcome to the AASB Action Alert

The AASB Board met in public on 13 February 2014. At this meeting the AASB made key decisions in relation to:

- **IFRS Interpretations Committee** – decided to write to the IFRS Interpretations Committee on a number of matters.
- **Annual Improvements** – discussed key issues to raise in its submission to the IASB.
- **IPSASB** – finalised key issues to raise in its submission to the IPSASB.
- **IFRS for SMEs** – finalised key issues to raise in its submission to the IASB.

The Board also discussed the following topics:

- **Financial Instruments**
- **Insurance Contracts**
- **Leases**
- **Research Activities**

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IFRS Interpretations Committee

The Board received an update on the 29-30 January 2014 IFRS Interpretations Committee (Committee) meeting. The Board noted the Committee's tentative agenda decisions in relation to the issues that the Board raised with the Committee regarding:

- (a) IFRS 3 *Business Combinations* – identification of the acquirer in accordance with IFRS 3 and the parent in accordance with IFRS 10 *Consolidated Financial Statements* in a stapling arrangement; and
- (b) IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – measurement of liabilities arising from emission trading schemes.

The Board decided to write to the Committee expressing support for the IFRS 3 tentative agenda decision. The Board also decided to write to the Committee expressing concern that the IAS 37 tentative agenda decision may inadvertently provide support for a view that the measurement of liabilities in accordance with IAS 37 may not need to be a current value.

In addition, the Board decided to write to the Committee in relation to the tentative agenda decision on IAS 32 *Financial Instruments: Presentation* – accounting for a financial instrument that is mandatorily convertible into a variable number of shares subject to a cap and floor. Whilst agreeing with the Committee's conclusion not to add the issue to its agenda, the Board expressed concern that a strong rationale for the conclusion was not evident.

Annual Improvements

The Board formed preliminary views on the proposals in IASB ED/2013/11 *Annual Improvements to IFRSs 2012 – 2014 Cycle* (incorporated into AASB ED 247), subject to consideration of any comments that might subsequently be received from AASB constituents.

The Board generally agreed with the proposals, but expressed concerns about the proposed amendments to IFRS 7 *Financial Instruments: Disclosures* relating to servicing contracts and IAS 19 *Employee Benefits*. The Board directed staff to conduct further research before the Board forms its view on the proposed amendment to IFRS 7.

IPSASB

Interests in Other Entities

The Board considered the key issues to raise to the IPSASB in respect of IPSASB Exposure Drafts 48-52 regarding interests in other entities. In general, the Board expressed support for aligning



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the IPSASB requirements to IFRS requirements. The Board noted the following key issues to include in the submissions:

- (a) ED 48 *Separate Financial Statements* – agree with the proposal that the equity method option for measuring investments in other entities be retained for consistency with the recent proposals in IASB ED/2013/10 *Equity Method in Separate Financial Statements*;
- (b) ED 49 *Consolidated Financial Statements*
 - recommend the definition of power be aligned to that in IFRS 10 *Consolidated Financial Statements*; and
 - disagree with the exception for controlling entities that are not investment entities to not fully consolidate their controlled investment entities.
- (c) ED 50 *Investments in Associates and Joint Ventures*
 - disagree with the proposal to measure a retained interest in a former associate or joint venture that becomes a financial asset at the carrying amount as cost. The Board considers these requirements should be aligned to IAS 28 *Investments In Associates* (as amended in 2011) to be measured at fair value; and
 - express a caution that other quantifiable economic interests can exist in addition to ‘quantifiable ownership interests’; and
- (d) ED 52 *Disclosure of Interests in Other Entities* – disagree with permitting disclosure requirements to be fulfilled by cross-referencing to reports outside the financial statements.

The Future Governance of IPSASB

The Board considered the content of the International Public Sector Accounting Standards Board Governance Review Group’s Consultation Paper *The Future Governance of the International Public Sector Accounting Standards Board (IPSASB) January 2014* and decided to make a submission that supports monitoring and oversight of the IPSASB by the IFRS Foundation’s Monitoring Board and Trustees as the preferred option (Option 1 of the paper). However, the Board acknowledges that a separate monitoring and oversight board for the IPSASB within the IFAC structure is the most practical approach in the short-term (Option 2 of the paper), whilst working towards achieving Option 1.



IFRS for SMEs

The Board considered the key issues to raise to the IASB in its comment letter on ED/2013/9 *Proposed Amendments to IFRS for SMEs*. The Board agreed to include the following key issues in the submission:

- (a) comment on the continuing differences in recognition and measurement between the *IFRS for SMEs* and full IFRSs, including expressing concern that *IFRS for SMEs* is moving further away from full IFRSs, in terms of recognition and measurement, and, therefore, the comparability and ease of transition between publicly and non-publicly accountable entities might be compromised;
- (b) request clarification of the term 'fiduciary' in the definition of 'public accountability', and provide the IASB with the Australian guidance on this;
- (c) express agreement with the proposed amendment to align the recognition and measurement of deferred tax in Section 29 *Income Tax* in the *IFRS for SMEs* with IAS 12 *Income Taxes*; and
- (d) note that the *IFRS for SMEs* should not be defining terms applied in IFRS that are not otherwise defined, for example, 'substantive enactment'.

The Board also noted the AASB staff are undertaking a review of Tier 2 disclosure requirements in Australia to ensure consistency, where appropriate, with the proposed amendments to *IFRS for SMEs*.

Financial Instruments

Classification and Measurement, and Impairment

The Board received an update on the IASB and FASB December 2013 and January 2014 meetings in relation to the amendments proposed in IASB ED/2012/4 *Classification and Measurement: Limited Amendments to IFRS 9* and FASB Proposed Accounting Standards Update *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*.

The Board also received an update on IASB redeliberations on the dual-measurement impairment model proposed in IASB ED/2013/3 *Financial Instruments: Expected Credit Losses*.

The Board decided not to write to the IASB concerning the Financial Instruments project at this stage. The Board will continue to monitor the project. The most recent IASB work plan identifies that it is targeting issuance of a complete IFRS 9, including amendments on classification and measurement and impairment, in Q2 of 2014.



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Accounting for Macro Hedging

The Board noted that most recent IASB work plan identifies that the IASB is targeting issuance of a discussion paper on macro hedge accounting in Q1 2014.

Disclosures – Incorporation of Information by Cross-Reference

Paragraph 21B of AASB 7, as added by AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*, permits an entity to incorporate disclosures by cross-reference from the financial statements to some other statement (such as a management commentary or risk report), that is available to users of the financial statements on the same terms as the financial statements and at the same time.

At its October 2013 meeting the Board decided not to reinstate deleted paragraph B6 of AASB 7, which would have permitted disclosures to be incorporated by cross-referencing. The Board decided that, to be consistent with its previous decision concerning paragraph B6, paragraph 21B should be deleted and an explanation should be given in the 'Comparison with IFRS 7' in the introduction to AASB 7.

Insurance Contracts

The Board received an update on the IASB's Insurance Contracts project. The Board noted that in the January IASB meeting, the IASB staff provided feedback on Exposure Draft ED/2013/7 *Insurance Contracts* from comment letters, outreach and fieldwork.

The Board noted that, although many respondents supported much of the revised proposals, there remain a number of areas of concern, including the complexity of the proposals (whether specific proposals or the proposals as a whole) and concerns about accounting mismatches.

Leases

The Board received an update on recent IASB and FASB discussions in their joint project to develop a Standard on leases. The Board did not consider that there were any further issues to be raised with the IASB regarding those discussions at this stage.

Research Activities

The Board noted the activities of the Research Centre since the December 2013 meeting, which included:

- (a) finalising the Board's submission on the IASB's DP/2013/1 *A Review of the Conceptual Framework for Financial Reporting*;
- (b) receiving constituent feedback on draft AASB 105X *Superannuation Entities* for fatal flaw review;



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- (c) progressing the Research Report dealing with lodged financial statements; and
- (d) nearing finalisation of an Essay outlining the role of the reporting entity concept.

The Board noted that staff plan to bring the topic of service performance reporting to the April 2014 meeting with a view to:

- (a) identifying key issues the Board will raise in its submission on the IPSASB's ED 54 *Reporting Service Performance Information*; and
- (b) considering a strategy paper addressing the extent to which the Board could use the IPSASB's work to help expedite the AASB's Service Performance Reporting project.

New Board Members

The Board welcomed five new members to the AASB Board: Ms Regina Fikkers, Mr Steve Mitsas, Ms Taryn Rulton, Mr Marc Smit and Professor Ann Tarca.

Recently Approved Pronouncements

Since last reported (9 December 2013), the Board has approved the following Standards:

Date Approved	Document	Effective Date
20 December 2013	AASB 1031 <i>Materiality</i>	Periods beginning on or after 1 January 2014
20 December 2013	AASB 1048 <i>Interpretation of Standards</i>	Periods ending on or after 20 December 2013
20 December 2013	AASB 2013-9 <i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i>	Various (refer to Standard)
20 December 2013	AASB CF 2013-1 <i>Amendments to the Australian Conceptual Framework</i>	Periods ending on or after 20 December 2013



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Documents Open for Comment

The following documents are open for comment. AASB submissions to the IASB, IFRS Interpretations Committee, IFRS Foundation or IPSASB are published on the AASB website.

Originating Organisation	Document	AASB No.	AASB Due Date	Other Organisation Due Date
AASB	Invitation to Comment – Fatal Flaw Draft – <i>Superannuation Entities</i>		28 February 2014	
IASB	Exposure Draft ED/2013/11 – <i>Annual Improvements to IFRSs 2012 – 2014 Cycle</i>	ED 247	27 February 2014	13 March 2014
IASB	<i>IASB Request for Information on Post-implementation Review: IFRS 3 Business Combinations</i>	ITC 30	2 May 2014	30 May 2014
IPSASB	ED 53 <i>First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i>			15 February 2014
IPSASB	ED 48 <i>Separate Financial Statements</i>			28 February 2014
IPSASB	ED 49 <i>Consolidated Financial Statements</i>			28 February 2014
IPSASB	ED 50 <i>Investments in Associates and Joint Ventures</i>			28 February 2014
IPSASB	ED 51 <i>Joint Arrangements</i>			28 February 2014
IPSASB	ED 52 <i>Disclosure of Interests in Other Entities</i>			28 February 2014
IPSASB	ED 53 <i>First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i>			15 February 2014
IPSASB Governance Review Group	Consultation Paper (CP) <i>The Future Governance of the International Public Sector Accounting Standards Board (IPSASB)</i>			30 April 2014



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Originating Organisation	Document	AASB No.	AASB Due Date	Other Organisation Due Date
IPSASB	ED 54 <i>Reporting Service Performance Information</i>			31 May 2014

Upcoming meetings and events

3-4 March 2014	Accounting Standards Advisory Forum (ASAF)
6-7 March 2014	International Forum of Accounting Standard Setters (IFASS)
7 March 2014	Asian-Oceanian Standard-Setters Group (AOSSG)
8-9 March 2014	Regional Policy Forum
8-9 April 2014	AASB meeting

AASB 2014 Scheduled Board Meeting Dates	8-9 April 2014 AASB meeting
	At the next Board meeting it is expected the Board will deal with the following items:
8-9 April	<ul style="list-style-type: none">• Service Concession Arrangements• Service Performance Reporting• Leases• Financial Instruments• Disclosure Initiative• Revenue• International Meetings Debrief
28-29 May	
16-17 July	
3-4 September	
22-23 October	
17-18 December	