



Subject: Minutes of the 144th meeting of the AASB
Venue: Ken Spencer Room, AASB offices
Level 7, 600 Bourke St, Melbourne
Time(s): Wednesday 15 April 2015 from 10.00 a.m. to 1.30 p.m.

All agenda items except item 5, Review, were discussed in public.

Please refer to the Appendix for a listing of the agenda papers discussed at the April meeting.

Attendance

Members	Kris Peach (Chair) Mike Blake (attended via teleconference) (apology from 10.00am to 10.30am) Anna Crawford (attended via videoconference) Kimberley Crook (attended via teleconference) Regina Fikkers (attended via videoconference) Peter Gibson (attended via teleconference) Andrew Kearnan (attended via videoconference) Steve Mitsas Carmen Ridley Taryn Rulton Marc Smit Ann Tarca Megan Wilson (attended via videoconference)
Apologies	Peter Carlson
In Attendance:	
Staff	Nikole Gyles David Ji (in part) Evelyn Ling (in part) Lisa Panetta Daen Soukseun (in part) Joanna Spencer (in part) Angus Thomson

Agenda 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.

Declarations of interest noted at the April 2015 meeting included:

- (a) In regards to agenda item two addressing Fair Value Measurement of Defence Weapons Platforms Regina Fickers advised that she has participated in a discussion with the Australian National Audit Office where the issue of fair valuing defence weapons was discussed. In addition, PwC may have had discussions with the Department of Defence regarding valuations;
- (b) Steve Mitsas declared an interest in agenda item two due to his role at the Department of Treasury and Finance; and
- (c) Peter Gibson declared a direct interest in agenda item two and an indirect interest in agenda item three addressing Fair Value Disclosures for Not-for-Profit Public Sector Entities, and agenda item four addressing Reporting Service Performance Information due to his role at the Department of Finance.

No other declarations were made.

Apologies, Minutes and Approvals Out of Session

Agenda Item 1

Apologies

An apology was noted for Peter Carlson.

In addition, an apology was noted for Mike Blake from 10.00am until 10.30am.

Minutes

The Board approved the minutes of the one hundred and forty-third meeting held on 11th February 2015.

Approvals Out of Session

The Board noted that AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* had been approved out-of-session.

In addition, Exposure Drafts ED 259 *Classification of Liabilities* (Proposed amendments to AASB 101) was issued under the Board's policy of delegated authority for the Chair to issue the IASB Exposure Draft ED/2015/1 *Classification of Liabilities* (Proposed amendments to IAS 1) where there is no significant additional Australian material. Comments on the proposals in Exposure Draft ED 259 are due by 9 May 2015 to the AASB and by 10 June 2015 to the IASB.

Furthermore, a Tentative Agenda Decision – *Recognition of Residual Value for Infrastructure Assets* was approved out-of-session by a subcommittee of the Board. Comments on the Tentative Agenda Decision are due by 20 April 2015 to the AASB.

Fair Value Measurement of Defence Weapons Platforms

Agenda Item 2

The Board decided not to extend the relief provided in AASB 1049 paragraph 13C, which permitted a government to elect not to apply Chapter 2 of the ABS's *Amendments to Australian System of Government*

Finance Statistics (issued 5 April 2011) for reporting periods ending before 30 June 2015. Chapter 2 requires assets, such as DWPs, to be measured at fair value.

In responding to the request to extend the transitional relief, the Board noted:

- (a) there are many public sector assets that are difficult to value – including heritage assets and land under roads;
- (b) practical issues relating to the reliable measurement of DWPs at fair value for the financial year ending 30 June 2015 need to be resolved by the preparers and the auditors and cannot be resolved by the AASB; and
- (c) any review of the requirements of AASB 1049 would need to be subject of a thorough due process.

The Board determined that a review of AASB 1049 should not be undertaken at this stage.

The Board's decision is consistent with the initial decision in 2012 that the transitional relief for the fair value of DWPs should be sufficient and it would not be necessary to provide further relief in the future.

Fair Value Disclosures for Not-for-Profit Public Sector Entities

Agenda Item 3

The Board decided to issue an Exposure Draft (ED) proposing limited relief for not-for-profit (NFP) public sector entities from certain disclosures specified by AASB 13 applying only to fair value measurements categorised as Level 3 in the fair value hierarchy. The Board agreed that the amendments would apply to annual reporting periods beginning on or after 1 July 2016, however, anticipates that the amendments will be finalised in time for early adoption by entities for 30 June 2015 financial year-ends.

In responding to concerns that the costs of providing the Level 3-only disclosures outweigh the benefits, the Board considered the following factors:

- (a) the pervasiveness of non-financial asset fair values in the public sector and the usefulness of the information provided to users when aggregated into classes of assets disclosures; and
- (b) current Board projects on the review of the Reduced Disclosure Regime (Tier 2), the Australian Reporting Framework and the Conceptual Framework, as their outcomes may change the Board's current assessment of the costs versus benefits.

The Board tentatively decided that the proposed relief would:

- (a) be limited to property, plant and equipment (including infrastructure assets) within the scope of AASB 116 *Property, Plant and Equipment* that are held for their current service potential rather than to generate future cash inflows; and
- (b) include relief from disclosure of quantitative information about the significant unobservable inputs used in the fair value measurement and a description of the sensitivity of the fair value measurement to changes in those unobservable inputs. The Board acknowledged that AASB 13 only requires the

sensitivity description to be narrative, and that an example of the disclosure is included in the Illustrative Examples accompanying IFRS 13 *Fair Value Measurement*.

The Board also tentatively decided that it was not necessary to propose relief from disclosing a reconciliation of the movements in each class of assets measured at fair value and categorised as Level 3, or a description of the valuation processes used by the entity. The Board noted that disclosure of a description of the inputs used in the fair value measurement would continue to be required.

The Board agreed that no specific transitional provisions were necessary as the proposed modifications are in the nature of a relief.

The Board directed staff to prepare an adverse-comment ED with a 30-day comment period. The Board agreed for a board advisor group comprising Kris Peach, Carmen Ridley, Taryn Rulton, Peter Gibson, Megan Wilson and Steve Mitsas to review a draft of the ED before a ballot draft is circulated for voting. The Board also agreed that the voting period on the ED will be one week, and will occur out-of-session.

The Board also directed staff to bring the other concerns raised during the targeted outreach process (Agenda Paper 3.4) to a future AASB meeting.

Action:	Staff
	Board Advisor Group
	Board Members

Reporting Service Performance Information

Agenda Item 4

The Board reviewed a draft ED on Reporting Service Performance Information. In developing the proposals, staff considered existing guidance in the International Public Sector Accounting Standards Board (IPSASB) Recommended Practice Guideline RPG 3 *Reporting Service Performance Information* as well as the current NZ Accounting Standards Board proposals. The Board tentatively decided:

- (a) Whole of government and general government sector financial statements would not be scoped out of the proposals. However, it was noted that practical issues may exist where there is no 'whole of government' plan, accordingly comments will be specifically requested;
- (b) the ED will include a question as to whether the application of the ED should be expanded to include for-profit entities;
- (c) the final Standard should be mandatory but comments will be specifically requested on the pronouncement's status;
- (d) the proposed application date is for periods beginning 1 July 2017;
- (e) not to define accountability; and
- (f) to include Application Guidance and Illustrative Examples in the ED, with some examples to be based on those in the recently issued IPSASB RPG 3.



The Board also discussed a possible limited-scope project to revise the current AASB definition of a NFP entity but tentatively decided not to undertake such a project at this stage.

A revised draft ED will be discussed at the AASB May 2015 meeting. The Board is expecting to issue an ED on Reporting Service Performance Information in July 2015.

Action: Staff

Close of Meeting

The Chair closed the meeting at 1.30 p.m. on Wednesday 15 April 2015.

Approval

Signed by the Chair as a correct record
this twenty-seventh day of May 2015

Appendix

April 2015 AASB Meeting Agenda Papers

Agenda Number	
1	Minutes, Declarations of Interest and Chairman's Report
1.1	Voting Summary dated 2 April 2015 – BOARD ONLY
1.2	Draft Minutes of meeting 143 dated 11 February 2015 - BOARD ONLY
1.3	AASB Strategy 2013 – BOARD ONLY
2	Defence Weapon Platforms
2.1	Memorandum from Daen Soukseun dated 2 April 2015 re: Fair Value Measurement of Defence Weapon Platforms
2.2	Staff Issues Paper re: Fair Value Measurement of Defence Weapons Platforms
2.3	Correspondence from Department of Finance re: Fair Value Measurement of Defence Weapons Platforms
3	Fair Value Disclosures
3.1	Memorandum from Evelyn Ling dated 2 April 2015 re: AASB 13 Disclosures for Not-for-Profit Public Sector Entities
3.2	Staff Issues Paper re: Evaluating the Case for Modifications from IFRS 13
3.3	Staff Issues Paper re: Due Process Considerations
3.4	Staff Issues Paper re: Other Concerns Raised during the Targeted Staff Outreach
4	Service Performance Reporting
4.1	Memorandum from Joanna Spencer dated 2 April 2015 re: Reporting Service Performance Information
4.2	Staff Issues Paper re: Reporting Service Performance Information
4.3	Draft AASB Exposure Draft re: Reporting Service Performance Information
App A	Other Business
A	Submissions
A1	ED254 [sub 4]
A2	ED 257 [sub 1 – 3]
A3	ED 258 [sub 2 – 5]
A4	Tentative Agenda Decision re: Residual Value [sub 1-2]