



Subject: Minutes of the 146th meeting of the AASB
Venue: Ken Spencer Room, AASB offices
Level 7, 600 Bourke St, Melbourne
Time(s): Wednesday 8 July 2015 from 9.25 a.m. to 5.00 p.m.

All agenda items except items 1(a) and 14 were discussed in public.

Attendance

Members	Kris Peach (Chair) Mike Blake Peter Carlson Anna Crawford Kimberley Crook Regina Fikkers Peter Gibson Steve Mitsas Carmen Ridley Taryn Rulton Ann Tarca Megan Wilson
Apologies In Attendance: Staff	Andrew Kearnan and Marc Smit Clark Anstis (in part) Mitchell Bryce (in part) Nikole Gyles David Ji (in part) Kala Kandiah (in part) Evelyn Ling (in part) Lisa Panetta Mark Shying (in part) Joanna Spencer (in part) Angus Thomson (in part)
Other	Todd Beardsworth [New Zealand staff] (in part by teleconference) Vanessa Sealy-Fisher [New Zealand staff] (in part by teleconference)



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. A declaration noted at the July 2015 meeting was a declaration by Taryn Rulton regarding agenda item sixteen addressing Education Session and Roundtable Debrief. Ms Rulton advised that she is assisting a constituent in preparing a submission for Exposure Draft ED 260 *Income of Not-for-Profit Entities*.

No other declarations were made.

Chair Report

Accounting Standards Advisory Forum (ASAF)

The Chair noted that she was pleased to announce that the AASB has been reappointed to ASAF, working with the New Zealand Accounting Standards Board.

In addition, the Chair noted that Angus Thomson will be accompanying her to the ASAF meeting to present AASB staff papers on the Insurance Contracts project.

AASB Academic Advisory Panel

The Chair noted that the AASB's Academic Advisory Panel was launched on 7 July 2015 noting that academic research is crucial to Australia making an impact on international standard setting and enhancing Australian financial reporting. The Chair further noted the membership of the Panel is:

- AASB Board Member Ann Tarca from University of Western Australia (Chair);
- Neil Fargher from Australian National University;
- David Gilchrist from Curtin University;
- Bryan Howieson from University of Adelaide;
- Brad Potter from University of Melbourne; and
- Baljit Sidhu and Roger Simnett from University of New South Wales.

Not-for-Profit and Public Sector Education Sessions & Roundtables

The Chair noted the great work performed by staff at the Not-for-Profit Education Sessions & Roundtables that took place recently in Melbourne, Canberra, Sydney and Brisbane. The Chair further noted that favourable feedback had been received from attendees.



Sue Lloyd – IASB Board Member upcoming visit

The Chair noted that Sue Lloyd will be in Australia in mid-August and will be attending the Conceptual Framework roundtables that will be held in Melbourne and Sydney and presenting at the Disclosure Initiative Education Session being held in Melbourne and Sydney.

Meetings attended

The Chair provided the Board with a brief overview of the meetings attended.

Other

Staff movements

The Chair also noted staff movements:

- (a) Shaun Steenkamp joined the AASB staff as an Assistant Project Manager;
- (b) Mitchell Bryce has departed the AASB staff and has joined Ernst & Young; and
- (c) Eric Lee has joined the AASB staff as a Research Fellow.

In addition, the Chair noted that Jim Paul is retiring and his last day at the AASB will be Friday 10 July. The Chair noted and thanked Jim for the valuable contribution he has made to the AASB and wished him all the best in his retirement.

Apologies, Minutes and Approvals Out of Session

Agenda Item 2

Apologies

Apologies were noted for Andrew Kearnan and Marc Smit for the meeting.

Minutes

The Board approved the minutes of the one hundred and forty-fifth meeting held on 27–28 May 2015.

Approvals Out-of-Session

The Board noted that the following Exposure Drafts were approved out-of-session:

- (a) AASB Exposure Draft ED 263 *Effective Date of AASB 15 Revenue from Contracts with Customers* (Proposed amendments to AASB 15), comments are due by the 19 June 2015 to the AASB and 3 July 2015 to the IASB;
- (b) AASB Exposure Draft ED 264 *Conceptual Framework for Financial Reporting*, comments are due by the 5 October 2015 to the AASB and 26 October 2015 to the IASB;
- (c) AASB Exposure Draft ED 265 *Updating References to the Conceptual Framework* (Proposed amendments to AASB 2, AASB 3, AASB 4, AASB 6, AASB 101, AASB 108, AASB 134, Interpretation 127 and Interpretation 132), comments are due by the 5 October 2015 to the AASB and 26 October 2015 to the IASB ; and



- (d) AASB Exposure Draft ED 266 *Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan*, comments are due by the 21 September 2015 to the AASB and 19 October 2015 to the IASB.

In addition, the Board noted the approval out-of-session of the AASB Agenda Decision *Definition of Residual Value in Relation to Infrastructure Assets*.

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

Agenda Item 3

The Board approved AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*, providing relief from certain AASB 13 *Fair Value Measurement* disclosures. The Standard will be able to be early adopted for 30 June 2015 reporting periods. The Standard will be published on the AASB website shortly.

After considering the only response to adverse comment Exposure Draft (ED) ED 262 *Fair Value Disclosures of Not-for-Profit Public Sector Entities* the Board confirmed divergence from its transaction neutrality policy was warranted, for not-for-profit (NFP) public sector entities.

The Board reaffirmed that the costs of preparing some of the disclosures specified by AASB 13 were more than transitional in nature, and outweighed the benefits of the disclosures to users. The Board was persuaded by the extent and variety of specialised property, plant and equipment measured on the fair value basis, and questioned the usefulness of the additional information about the fair value measurement of such assets when provided at an aggregated level, given the broad range of assumptions in the typical examples provided. The Basis for Conclusions was amended to better clarify the Board's reasoning.

The Board decided the relief should not be extended to all NFP entities as its decision was based on the prevalence of fair value measurement, and the extent and diversity of assets held by NFP public sector entities.

The Board noted that concerns raised by constituents about the broader application of AASB 13 were beyond the scope of the current project. However, such matters will be considered as part of a future Board project, or as part of a staff article on fair value.

The Board was satisfied that sufficient due process had been performed, and the twelve Board members present voted to make the Amending Standard.

The Board noted it had previously directed staff to prepare a staff article addressing some of the transitional issues for NFP public sector entities, and to highlight the application of materiality in preparing fair value disclosures. The Board directed staff to give consideration to disclosures made in 30 June 2015 NFP public sector entity financial reports in preparing that staff article.

Action: Staff



Conceptual Framework

Agenda Item 4

The Board tentatively decided that its response to the IASB Conceptual Framework ED should target key issues for Australian entities, identified as:

- (a) use of profit or loss and other comprehensive income;
- (b) proposed liability definition; and
- (c) measurement.

Other issues would be commented on to a lesser degree in the Board's response.

The Board supported working with the staff of the New Zealand Accounting Standards Board (NZASB) in developing responses to the key issues identified, where possible.

The Board noted that the IASB's Conceptual Framework is targeted towards for-profit entities; accordingly, when the IASB Framework is finalised, NFP specific amendments may be necessary before a revised framework is introduced for Australian NFP entities. However, potential implications for NFP entities will be considered as part of the Board's discussions and outreach on the ED.

The Conceptual Framework Board advisor group members noted the expected nature of their out-of-session involvement. The members are Kris Peach, Kimberley Crook, Mike Blake, Peter Gibson, Ann Tarca and Megan Wilson.

Action:	Staff
	Board advisory group members

Presentation from Australian Auditing & Assurance Standards Board Chair

Agenda Item 5

Merran Kelsall, Chair of the Australian Auditing & Assurance Standards Board (AuASB), provided the Board with an overview of the AuASB's activities. The Boards agreed they should work more closely together on key projects such as the Australian reporting framework, service performance reporting and the disclosure initiative.

Reduced Disclosure Requirements (Tier 2) Principles

Agenda Item 6

The Board tentatively decided to establish a Reduced Disclosure Requirements (RDR) decision-making framework (RDR Framework) for use in determining the minimum disclosures required of all Tier 2 entities.

The Board tentatively decided the essential features of its RDR Framework are:

- (a) the overarching principles of user needs and cost-benefit;
- (b) disclosure of financial performance, financial position and cash flows;
- (c) to meet user needs there are two key disclosure areas (KDAs):



- (i) current liquidity at an entity level and solvency (or funding position if a public sector entity) and associated key risks; and
- (ii) transactions and other events significant or material to understanding the entity's operations as represented by financial performance, financial position and cash flows including:

CORE DISCLOSURE AREAS

- (a) commitments and contingencies;
- (b) impairment;
- (c) related parties; and
- (d) subsequent events;

SUPPORTING DISCLOSURE AREAS

- (a) nature of transaction or event;
- (b) accounting policy on when to recognise and how to measure;
- (c) significant estimates and judgements specific to a transaction or event; and
- (d) associated key risks specific to a transaction or event; and
- (e) some guidance to be developed to complement the RDR Framework to assist Tier 2 entities in applying the disclosure requirements, including consideration of materiality when determining the transactions and other events to disclose. The Board did not decide the format of the guidance at this meeting (e.g., whether application guidance or part of the Standard).

The Board noted that the RDR Framework would establish a minimum but that just as for Tier 1 entities there may need to be additional disclosures to provide a true and fair view. In addition, Tier 2 disclosures should always be a subset of Tier 1 disclosures. The Board directed staff to apply the RDR decision-making Framework to a number of Standards for discussion at the September Board meeting.

Action: Staff

Insurance Contracts

Agenda Item 7

The Board noted AASB-NZASB staff papers being presented at the July 2015 ASAF meeting on the pattern of recognition of the contractual service margin (CSM) and the use of historical discount rates in measuring some components of insurance liabilities. These issues were identified in recent outreach as the key concerns of Australian and New Zealand stakeholders.

The Board observed that the CSM, which represents a stand-ready obligation, could have a different value to a policyholder over the life of some contracts and that the pattern of that service should drive CSM recognition in those cases. Recognition based on time alone, although providing consistent accounting



requirements for all contracts, would not lead to comparable outcomes if different contracts are different in substance. In particular, the Board noted that in the Framework (and IASB ED/2015/3 Conceptual Framework for Financial Reporting) consistency and comparability are not the same and, for information to be comparable, like things must look alike and different things must look different.

In relation to the use of discount rates in measuring the components of insurance liabilities, members expressed support for having a 'purer' current value model for measuring insurance liabilities based on current cash flows and current discount rates, consistent with the AASB-NZASB staff paper for the ASAF meeting.

The Board also noted that under the IASB's model, a movement would need to be disclosed of the impact of a difference between the contract inception-date discount rate and the current discount rate, which over a multi-year contract can give rise to disclosures in years when there is no change in the current rate from the beginning and end of the current period. Insurers would also be required to accrete interest on the CSM at the contract inception-date discount rate.

International Projects Update

Agenda Item 8

The Board did not identify any issues to raise with the IASB or IPSASB as a result of their recent meetings.

IPSASB June 2015 meeting report

The Board noted that the IPSASB had finalised a number of documents for consultation that will be issued for comment in Australia, including:

- (a) a Consultation Paper on Recognition and Measurement of Social Benefits; and
- (b) an ED on Applicability of IPSASs proposing to remove the scope exclusion of Government Business Enterprises and instead provide a description of the type of entity for which IPSASs are developed.

Strategic Plan Update

Agenda Item 9

The Board noted that a number of key performance indicators for the AASB's strategic directions had been achieved, and the majority of those remaining were on track.

Research Update

Agenda Item 10

The Board noted significant research activities and developments since the June 2015 meeting, including:

- (a) reclassification of, and re-prioritisation of projects within, the IASB's research work program;
- (b) the establishment of an AASB Academic Advisory Panel to facilitate two-way communication between the AASB and academia with a view to being an impetus for more research in areas that will further AASB projects and financial reporting policy;



- (c) the types of empirical work that might be able to be done in conducting the IFRS post-implementation review; and
- (d) the benchmarking that will be done as part of the Australian Financial Reporting Framework project and supported the jurisdictions identified in the staff paper and noted some other jurisdictions for staff to consider including in the exercise.

Reporting Service Performance Information

Agenda Item 13

The Board tentatively decided to extend the proposed comment period for the forthcoming service performance reporting ED from four months to six months, with comments due around the end of January 2016. As a result of this decision, the Board also tentatively decided that the proposed effective date for the proposals should be deferred by one year to 1 July 2018.

Action: Staff

IPSASB Consultation Process

Agenda Item 15

The Board agreed a strategy to engage further with Australian constituents on IPSASB consultation documents, prior to the AASB making its own submission to the IPSASB, including requesting constituent comments on each consultation document.

The Board decided that the AASB can develop further contacts with member and users groups that have a public sector interest. Board members were requested to provide staff with relevant contacts with whom they can engage.

Action: Staff
Board Members

Education Session and Roundtable Debrief

Agenda Item 16

The Board noted that the recent NFP education sessions were well attended and that the feedback received from attendees was very positive. The Board received a briefing of key points raised in the roundtable discussions on ED 260 *Income of Not-for-Profit Entities* and ED 261 *Service Concession Arrangements: Grantor* and noted the staff plan to bring back details of all feedback received on the ED's to the next Board meeting.

Action: Staff



Close of Meeting

The Chair closed the meeting at 5.00 p.m. on Wednesday 8 July 2015.

Approval

Signed by the Chair as a correct record
this second day of September 2015

Appendix

July 2015 AASB Meeting Agenda Papers

Agenda Number	
0.0	Cover Memo – AASB Meeting 8 July 2015
1-2	Minutes, Declarations of Interest and Chairman’s Report
1.1	Draft Minutes of meeting 145 dated 27-28 May 2015 [BOARD ONLY]
2.1	Memorandum from Lisa Panetta dated 23 June 2015 re Voting Summary [BOARD ONLY]
3	Fair Value Disclosures
3.1	Memorandum from Evelyn Ling and David Ji dated 23 June 2015 re Fair Value Disclosures of Not-for-Profit Entities
3.2	Draft AASB 2015-X <i>Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities</i>
3.2A	Revised Draft AASB 2015-X <i>Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities</i>
3.2B	Ballot Draft AASB 2015-X <i>Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities</i>
3.3	Submission from The Institute of Public Accountants to the AASB on ED: Fair value disclosure of not-for-profit public sector entities
4	Conceptual Framework
4.1	Memorandum from Angus Thomson and Evelyn Ling dated 23 June 2015 re Conceptual Framework
5	Presentation from Merran Kelsall
5.1	Presentation from Merran Kelsall, AUASB Chair re AUASB Update
6	Reduced Disclosure Requirements (Tier 2) Principles
6.1	Memorandum from Mark Shying and Vanessa Sealy-Fisher dated 23 June 2015 re Reduced Disclosure Requirements (Tier 2) Principles
6.2	Staff Issues Paper: Principle for RDR Disclosure
6.3	Staff Issues Paper: Analysis of RDR Disclosures
6.4	Staff Paper Trans-Tasman Financial Reporting Outcomes
7	Insurance Contracts
7.1	Memorandum from Angus Thomson and David Ji dated 23 June 2015 re Insurance papers for ASAF
7.2	AASB-NZASB staff memorandum dated 18 June 2015 to ASAF members and IASB members
7.3	AASB-NZASB staff paper: Contractual Service Margin recognition – non-participating insurance contracts
7.4	AASB-NZASB staff paper: Disclosure of discount rate impacts and accretion of interest on the Contractual Service Margin – non-participating insurance contracts
8	International Projects Update
8.1	Memorandum from Kala Kandiah dated 23 June 2015 re International Projects
8.2	Staff Issues Paper: Key issues arising from recent international meetings (to be tabled, if needed)

Agenda Number	
8.3	<i>IASB Update</i> June 2015 (to be tabled)
8.4A	June 2015 IPSASB Meeting Highlights (to be tabled if available)
8.4B	AASB report on June 2015 IPSASB meeting (to be tabled)
9	Strategic Plan Update
9.1	AASB Strategy 2015-2019 Progress Update [BOARD ONLY]
9.2	AASB Strategy for 2015-2019
10	Research Update
10.1	Memorandum from Angus Thomson and Clark Anstis dated 22 June 2015 re Research update
10.2	Memorandum from Clark Anstis and Shaun Steenkamp dated 2 July 2015 re Australian Financial Reporting Framework – Benchmarking Report
11	Communications & Workplan
11.1	AASB Standard Setting Work Program and Meeting Pipeline as at 23 June 2015 [BOARD ONLY]
11.2	Memorandum from David Ji dated 23 June 2015 re Stakeholder Liaison and Communications Report Highlights [BOARD ONLY]
11.2.1	AASB Stakeholder Liaison and Communications Report 13 May 2015 – 23 June 2015 [BOARD ONLY] [for information only]
12	Other Business
12.1	Memorandum from Lisa Panetta dated 23 June 2015 re 2016 Proposed Meeting Dates [BOARD ONLY]
13	Emerging Issues
13.1	Memorandum from Lisa Panetta dated 3 July 2015 re ASAF Meeting July 2015
13.2	ASAF Agenda (July 2015)
14	Review [no agenda papers]
15	IPSASB Consultation
15.1	Memorandum from Joanna Spencer dated 23 June 2015 re IPSASB Consultation Strategy
16	Education Session & Roundtable Debrief
16.0	Memorandum from Nikole Gyles dated 3 July 2015 re AASB Not-for-Profit and Public Sector Education Sessions and Roundtables (June 2015)
16.1	Roundtable notes re ED 261 <i>Service Concession Arrangements: Grantor</i>
16.2	Roundtable notes re ED 260 <i>Income of Not-for-Profit Entities</i>
App A	Other Business
A	Submissions
A1	Letter from AASB Chair to IVSC standards Board dated 18 June 2015 re Exposure Draft <i>Proposed Amendments to the International Valuation Standards</i>
A2	Letter from AASB Chair to IASB Chair dated 10 June 2015 re IASB Exposure Draft ED/2015/1 <i>Classification of Liabilities</i>

Agenda

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Agenda Number	
A3	ED 258 [sub 9]
A4	ED 259 [sub 5]
A5	ED 263 [sub 1-2] / [sub 3]
A6	Letter from AASB Chair to IASB Chair dated 25 June 2015 re AASB comments on IASB ED/2015/2 <i>Effective Date of IFRS 15 (Proposed amendments to IFRS 15)</i>
B	Correspondence
B1	Letter from HoTARAC Chair to AASB Chair dated 5 June 2015 re Priority Public Accounting Issues [BOARD ONLY]
C	Other
C1	AASB Board Advisor Groups – 23 June 2015 [BOARD ONLY]