



Subject: Minutes of the 151st meeting of the AASB
Venue: Teqsa Offices, Level 14, 530 Collins St, Melbourne
Time(s): Wednesday 20 April 2016 from 9.00 a.m. to 6.15 p.m.

All agenda items except items 1(a), 4.2 and 15 were discussed in public.

Attendance

Members Kris Peach (Chair)
 Mike Blake
 Anna Crawford
 Kimberley Crook
 Regina Fikkers (Deputy Chair)
 Peter Gibson
 Andrew Kearnan
 Carmen Ridley
 Marc Smit
 Ann Tarca
 Megan Wilson

Observers John O'Grady (afternoon)

Apologies Peter Carlson
 Steve Mitsas
 Taryn Rulton
 John O'Grady (morning)
 Kala Kandiah (staff)

In Attendance:

Staff Clark Anstis (in part)
 Lisa Cloutter (in part)
 Nikole Gyles (in part)
 Ahmad Hamidi Ravari (in part)
 Junyoung Jeong (in part)
 Eric Lee (in part)
 Evelyn Ling (in part)
 Mark Shying (in part)
 Daen Soukseun (in part)
 Joanna Spencer (in part)
 Angus Thomson (in part)
 Teng Zhou (in part)



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. No such matters arose in this meeting.

Chair Report

Staff Update

Alumni Function / Joint Strategy Day

The Chair noted that the AASB will be holding an Alumni function on 13 September 2016 celebrating 50 years of Australian accounting standard setting.

The Chair provided the Board with an update on the following meetings: Accounting firms forum Investor forum, Academic forum, Project advisory panels and ATO consultation on contingent liability disclosures.

International Meetings

The Chair provided the Board with an update on the international meetings she has attended: ASAF, IFASS, SEC visit, IPSASB Standard Setter Forum, NZ strategy day, Presentation to IASB staff on Australian Accounting Standard Setting, Visit by Hans Hoogervorst and Sue Lloyd, IASB in November and Invitation to EFRAG panel on cost effect analysis. The Chair noted the key issues discussed.

Other Matters

Apologies, Minutes and Approvals Out of Session

Agenda Item 2

Minutes

The Board approved the minutes of the one hundred and fiftieth meeting held on 21-22 February 2016.

Approvals Out of Session

The Board noted that AASB 16 *Leases*; AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*; and AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* were approved out-of-session.

CAS/EFRA Research Paper

The Board noted the Institute of Chartered Accountants of Scotland (ICAS)/EFRAG research report *Professional Investors and the Decision Usefulness of Financial Reporting* published in March 2016. The



Board supported exploring research topics on Australian user views that contribute to other projects on the work program in light of feedback on agenda consultation.

Reduced Disclosure Requirements

Agenda Item 3

The Board:

- (a) agreed the RDR project should continue as a joint project with the New Zealand Accounting Standards Board (NZASB);
- (b) reconfirmed its previous tentative decision to rely on AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* for accounting policy disclosures; and
- (c) agreed, where the NZASB approach to RDR is different from Board's tentative decisions, an appendix should illustrate the differences using two standards.

The Board tentatively decided to:

- (a) reconfirm its previous tentative decision to develop, with the NZASB, one policy document that sets out Tier 2 principles and identifies any differences in those principles;
- (b) add material to the decision-making framework to explain how the presumption that the benefits of a disclosure would exceed the costs can be rebutted; and
- (c) not rely on AASB 101 and AASB 108 for disclosures of significant estimates and judgements specific to a transaction or event.

It is planned to bring further issues to the June AASB meeting and have the ED for voting at the August 2016 AASB meeting.

Action: Staff

Service Concession Arrangements: Grantor

Agenda Item 4

The Board tentatively decided that, because there is sufficient guidance in ED 261 *Service Concession Arrangements: Grantor* and/or existing Australian Accounting Standards, additional guidance in the following areas is not warranted:

- (a) establishing the fair value of a partly constructed asset;
- (b) initial valuation of an intangible service concession asset;
- (c) accounting for economic obsolescence in determining the asset's fair value; and
- (d) the principle-based approach to recognising revenue when amortising the grant of the right to the operator liability.



The Board requested staff to include in the Basis for Conclusions, the rationale for the above Board decisions.

The Board tentatively decided that Application Guidance should:

- (a) identify the finance charge in the financial liability model using the effective interest rate method in AASB 9 *Financial Instruments* (ie implicit interest rate), rather than the entity's cost of capital; and
- (b) in a hybrid arrangement, permit allocating the total liability to the financial liability, with the remaining portion allocated to a grant of the right to the operator liability.

The Board agreed to consider at a future meeting the accounting for arrangements where the grantor compensates the operator based on the usage of the service concession asset by third-party users and where the grantor's obligation may not be for a specified or determinable amount to the operator.

The Board received a staff presentation on the preliminary findings of the field testing on service concession arrangements.

Action: Staff

Income of NFP Entities

Agenda item 5

When considering an enforceable contract that has elements that may not be attributed to a performance obligation for the transfer of goods and/or services (eg attending a charity dinner), the Board tentatively decided:

- (a) there is a rebuttable presumption that all consideration is allocated to the performance obligation unless part of the consideration is not refundable (ie all consideration will be allocated to the performance obligation and revenue recognised as the performance obligation is satisfied);
- (b) an indicator to rebut this presumption is that the element not related to the performance obligation is separately identified; for example, because the not-for-profit entity has the status of deductible gift recipient and the customer can claim a tax deduction for the 'donation'.

The Board also tentatively decided that the definition of 'contribution by owners' should be considered as part of the agenda consultation process, rather than as part of the Income of Not-for-Profit Entities project. In the interim, the requirements in AASB 1004 *Contributions* be should retained.

Consideration of control of perpetual endowments was deferred to the June AASB meeting.

Action: Staff

Clarifications to IFRS 15

Agenda item 8

The Board agreed to amend AASB 15 *Revenue from Contracts with Customers*:



- to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and
- to include further practical expedients on transition to AASB 15, incorporating International Financial Reporting Standard *Clarifications to IFRS 15 Revenue from Contracts with Customers*.

The amendments will be finalised out of session and apply to annual periods beginning on or after 1 January 2018.

Action:

Staff

Board Members

International Projects

Agenda item 9

The Board noted developments in a number of international standard-setting projects but did not identify any issues to raise with the IASB or IPSASB at this stage.

Australian Financial Reporting Framework

Agenda Item 11

Staff outlined the continuing work to develop benchmarking reports regarding financial reporting requirements for for-profit and not-for-profit entities in the private and public sectors. These reports will support further consultation with regulators and other stakeholders.

Staff also provided an overview of the responses received to date to a survey of public sector financial reporting requirements and chief financial officers of public sector entities.

No decisions were made.

Action:

Staff

Research Update

The Board noted the updated research work program and recent Research Centre activities including:

- (a) the April 2016 AASB Academic Advisory Panel meeting;
- (b) planning for the November 2016 Academic Research Forum and the themes of the discussion sessions;
- (c) outreach on the impact of IFRS adoption in Australia;
- (d) noting the plan to publish a report on the joint research with the Korea Accounting Standards Board on IFRS 'terms of likelihood' in June 2016; and
- (e) an update on the Australian Financial Reporting Framework project relating to public sector entities.



Emerging Issues – International Valuation Standards Council Exposure Drafts

Agenda Item 13

The Board noted that the IVSC currently has four Exposure Drafts open for comment that discuss valuation bases, approaches and methods. The Board decided to make a submission to the IVSC supportive of the IVSC projects; drawing attention to instances where clarification could be useful for valuations performed for financial reporting purposes.

The Board will finalise its submission out-of-session via the Chair.

Action:	Staff
	Kris Peach

Strategic Plan Update

Agenda item 14

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 are on track.

Close of Meeting

The Chair closed the meeting at 5:30pm on Wednesday 20 April 2016.

Approval

Signed by the Chair as a correct record
this twenty-first day of June 2016