



**Subject:** Minutes of the 155<sup>th</sup> meeting of the AASB  
**Venue:** TEQSA Offices, Level 14, 530 Collins Street, Melbourne  
**Time(s):** Tuesday, 13 December 2016 from 10.00 a.m. to 5.35 p.m.  
Wednesday, 14 December 2016 from 8.30 a.m. to 2.50 p.m.

All agenda items were discussed in public, except for items 1(a) and 21.

## Attendance

Members	Kris Peach (Chair) Mike Blake Kimberley Crook Peter Carlson Anna Crawford Regina Fikkers (Deputy Chair) Peter Gibson Andrew Kearnan Steve Mitsas Carmen Ridley Taryn Rulton Marc Smit Ann Tarca Megan Wilson John O'Grady (Observer)
Apologies	Mike Blake (day 1, from 8.30 am – 1.30 pm day 2) Kimberley Crook (from 1:30 pm – 5.35 pm day 1, from 8.30 am – 1.30 pm day 2) Regina Fikkers (Deputy Chair) (from 2.30 pm day 2) Andrew Kearnan (day 1) Steve Mitsas (from 12.30 pm – 2.50 pm day 2) Carmen Ridley (from 11.00 am – 1.00 pm day 1, from 1.45 pm day 2) Marc Smit (from 12.00 pm – 1.30 pm day 1) Megan Wilson (from 8.30 am to 10.30 am day 1) John O'Grady (Observer) (day 2)



In Attendance:

Staff	Garima Ahuja (in part)
	Clark Anstis
	James Barden (in part)
	Lisa Cloutter (in part)
	Nikole Gyles (in part)
	Justin Lachal (in part)
	Eric Lee (in part)
	Evelyn Ling (in part)
	Mark Shying (in part)
	Daen Soukseun (in part)
	Shaun Steenkamp (in part)
	Teng Zhou (in part)
Other(s):	David Bassett, NZASB (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. At this meeting, Mike Blake declared a particular interest in service performance reporting.

#### Chair Report

#### External Meetings

The Chair provided the Board with an update on the following meetings and noted the key issues discussed at the AASB's Research, Director's, Investor and CFO Forums, AOSSG and Joint NZASB/AASB meeting, Wellington, ASAF meeting, London, IPSASB Meeting, South Africa and EFRAG Meeting, France.

The Chair thanked all those involved for making the Forums a success.

## Apologies, Minutes and Approvals Out of Session

### Agenda Item 2

#### Minutes

The Board approved the minutes of the one hundred and fifty-third and one hundred and fifty-fourth meetings, held on 30-31 August 2016 and 14 November 2016 respectively.

## Service Concession Arrangements – Grantors

### Agenda Item 3

The Board tentatively decided the Standard *Service Concession Arrangements: Grantors* should include guidance on ‘public service’ for assessing whether an arrangement is within the scope of the Standard. The guidance should be in the form of examples and features rather than indicators to be considered, such as:

- (a) an operator must be responsible for at least some of the management of the service concession asset and related services, and does not act merely as an agent of the grantor; and
- (b) services that are insignificant to the arrangement as a whole may be ancillary services.

The Board requested Staff to review the ‘service concession asset’ definition for consistency with the proposed public service guidance.

The Board reaffirmed its previous tentative decisions that no further guidance is necessary for:

- (a) terms of ‘outsourcing’, ‘service contract’, ‘privatisation’, ‘significant residual interest’ and ‘estimated current value’;
- (b) accounting for other revenues – references to AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* are to be included instead; and
- (c) accounting for life-cycle costs – references to AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* for accounting for costs subsequent to the initial recognition of an asset are to be included.

The Board decided:

- (a) the effective date of the Standard would be annual reporting periods beginning on or after 1 January 2019;
- (b) to clarify the modified retrospective transition approach for measuring the unearned revenue liability under the grant of the right to the operator (GORTO) model. The approach would measure the liability based on the fair value of the asset at the transition date, adjusted to reflect the remaining concession period relative to the remaining useful life of the asset. Additionally, the accumulated surplus/deficiency adjustment on transition for the financial liability model would also apply to the GORTO model; and
- (c) to adopt a principles-based approach for the disclosure requirements and to remove references to accounting for service concession assets as a separate class or classes of assets. The latter amendment is consistent with the recently issued *IPSAS Improvements to IPSASs 2015*.

The Board also discussed the final findings of the field test on service concession arrangements and agreed to provide an additional ‘hybrid’ example to assist preparers in implementing the Standard.

The Board discussed the draft Standard and decided to:

- (a) require an existing asset that is reclassified as a service concession asset (including an intangible asset) to be remeasured at fair value (current replacement cost) at the time of reclassification;
- (b) state explicitly that in a hybrid arrangement, the financial liability part is to be measured first and the remainder of the total liability allocated to the part related to the grant of the right to the operator; and
- (c) publish a revised draft Standard on the AASB website in February 2017 for a fatal-flaw review process.

Action:

Staff

Board Members

## Reduced Disclosure Requirements

Agenda Item 4

The Board made the following decisions regarding its draft Exposure Draft ED 2XX *Reduced Disclosure Requirements for Tier 2 Entities* and draft Analysis Document for determining Tier 2 disclosure requirements:

- (a) issue the ED late January 2017;
- (b) a comment period of 120 days, with comments due around the end of May 2017;
- (c) include the proposed *Policy for Determining RDR for Tier 2 Entities in Australia and Tier 2 For-profit Entities in New Zealand*, which would replace the Board's current approach for determining Tier 2 disclosures;
- (d) propose an appendix for each Standard that includes disclosure requirements. The appendix would contain the Tier 2 disclosures for that Standard. This approach would replace the Board's current approach of shading disclosures within the Standard that Tier 2 entities are not required to provide;
- (e) a proposed effective date of annual periods beginning on or after 1 January 2019;
- (f) permit early application of the amended Tier 2 disclosures for annual periods beginning on or after 1 January 2018, with:
  - (i) AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* as revised through this ED applied at the same time an entity first applies a Standard that is revised by this ED; and
  - (ii) early adoption of the amended Tier 2 disclosures in AASB 140 *Investment Properties* permitted only when the entity also applies AASB 16 *Leases* (as AASB 16 amended AASB 140); and
- (j) the Analysis Document to be publicly available with the ED.

The ED proposals are to amend the Tier 2 disclosures. The ED would not change which entities are permitted to report in accordance with Tier 2 accounting requirements and would not change the recognition and measurement requirements applying to Tier 2 entities.

Action: Chair  
Staff

[Agenda item numbers 5, 6 and 7 were not used for this meeting.]

## Income Tax Disclosures

### Agenda Item 8

The Board tentatively decided, in response to the Board of Taxation request for the AASB to assist entities in implementing Part A of the voluntary Tax Transparency Code (TTC), to develop draft non-mandatory guidance in the form of an Appendix to the TTC. The draft guidance is expected to be issued in February 2017, with the Board intending to revisit the guidance after considering usage during the 30 June 2017 reporting period and further consultation with preparers and users.

The Board tentatively decided the non-mandatory guidance would:

- (a) highlight the definition of 'effective tax rate' in AASB 112 *Income Taxes* (paragraph 86) as an existing 'common definition' and identify how the specific matters identified in the Board of Taxation request are incorporated within this definition;
- (b) clarify that any alternative effective tax rate (ETR) or any other metrics disclosed should have regard to the principles in ASIC Regulatory Guide 230 *Disclosing non-IFRS financial information* and the IASB Principles of Disclosure project for guidance on using alternative measures (eg reconciliation to the ETR per AASB 112 and explanation of the objective of alternative measures);
- (c) make clear that alternative ETR measures can be presented in financial statements where considered appropriate to explain the tax risks impacting the entity;
- (d) illustrate an alternative presentation of the tax reconciliation, to reconcile from net profit before tax to current tax payable, including some common line items in reconciling income tax expense to income taxes paid per the cash flow statement, or income taxes paid and payable. The example will also illustrate a possible disaggregation between foreign and domestic amounts and disclosure of non-recurring items; and
- (e) refer to the qualitative characteristics underpinning useful financial information to which preparers may want to have regard when presenting information to comply with the TTC, such as neutrality, faithful representation and materiality.

The Board noted the AASB 112 definition of ETR is unlikely to satisfy users, but decided not to mandate a common alternative ETR measure. The Board considered that the specific facts and circumstances of a taxpayer would make determining such a measure difficult, and that users would be best served by having more information about why a taxpayer has chosen its alternative ETR and by better explanation of the



reconciling items between accounting profit and taxable income. Feedback to the Board to date indicates the likely objective of an alternative ETR is to provide users with information regarding a sustainable maintainable tax rate. The Board noted that issuing the guidance in draft form for use during the next reporting season as a form of consultation would enable the Board to consider practical examples and revisit its decisions regarding alternative ETR. The Board decided not to propose additional tax disclosures in general purpose financial statements at this time, as it considered that improvements in tax reconciliation disclosures in response to the TTC may be sufficient.

Action: Staff  
Board Members

## Related Party Disclosures – Public Sector

### Agenda Item 9

The Board decided to issue a Tentative Agenda Decision responding to a concern about the implementation of AASB 124 *Related Party Disclosures* by public sector entities. The Tentative Agenda Decision will be issued for public comment in December 2016, and will comment on materiality as it applies to transactions with related parties of key management personnel, particularly close family members, that are conducted on normal terms and conditions. The Board expects to finalise the Agenda Decision early in 2017.

In addition, the Board decided to explore the possibility of developing 'frequently asked questions' on the application of AASB 124. If developed, these are expected to be identified as AASB staff views, rather than Board guidance, on AASB 124.

Action: Staff  
Board Members

## Survey of Not-for-Profit Managers

### Agenda Item 10

Ralph Kober from Monash University presented to the Board his research paper *The perceptions of NFP managers: Initial insights on financial statement preparation, the conceptual framework, and accounting standards* – co-authored with Janet Lee and Juliana Ng from the Australian National University.

The Board noted the research participants were preparers from entities with over \$1 million in revenue, and also that the findings were consistent with feedback the Board has received directly that indicates that using IFRS Standards as a base, with suitable modifications, currently is considered appropriate.

Action: Staff

## International Meetings

Agenda Item 11

International meetings attended recently by the Chair and staff were addressed in the Chair's report (agenda item 1).

## Cryptocurrencies

Agenda Item 12

The AASB paper was discussed at the December meeting of the ASAF. The IASB is not expected to address cryptocurrencies in the short term.

## Reporting Service Performance Information

Agenda Item 13

The Board considered the feedback received on ED 270 *Reporting Service Performance Information* and noted constituents generally agreed with the objectives and principles of service performance reporting. However, constituents raised concerns relating to:

- (a) the overlap between ED 270 and existing reporting frameworks and government reporting requirements;
- (b) the proposed mandatory status of the draft Standard; and
- (c) the costs of implementing the Standard potentially outweighing the benefits of the information provided, particularly for small and medium-sized entities.

The Board decided to continue the project, given the importance of reporting service performance information in providing information about the entity that is useful to users for evaluating accountability and for other decision-making purposes. However, the Board noted further work would be required in areas such as:

- (a) consultation with users, preparers and regulators of service performance reporting;
- (b) publishing any relevant academic research on user needs;
- (c) benchmarking existing frameworks and government reporting requirements;
- (d) field testing a number of large, not-for-profit entities already reporting service performance information; and
- (e) using simpler language and providing a more overarching framework for the preparation of such reporting.

Action:

Staff

## IASB Pronouncements

Agenda Item 14

As the IASB has recently finalised and issued a number of pronouncements, the Board decided the following amendments to Standards and an Interpretation are to be finalised out of session:

- (a) amendments to AASB 1 *First-time Adoption of Australian Accounting Standards* (from annual improvements, 2014-2016 cycle);
- (b) amendments to AASB 12 *Disclosure of Interests in Other Entities* (from annual improvements, 2014-2016 cycle);
- (c) amendments to AASB 128 *Investments in Associates and Joint Ventures* (from annual improvements, 2014-2016 cycle);
- (d) amendments to AASB 140 *Investment Property* (regarding transfers of investment property); and
- (e) Interpretation 22 *Foreign Currency Transactions and Advance Consideration*.

The amendments to AASB 12 will apply to annual periods beginning on or after 1 January 2017 for all entities.

The remaining pronouncements will apply to annual periods beginning on or after 1 January 2018 for the for-profit sector. As for the not-for-profit sector, the Board decided to defer the effective date of the remaining pronouncements to annual periods beginning on or after 1 January 2019, consistent with the Board's previous decision to defer AASB 15 *Revenue from Contracts with Customers* and its consequential amendments to other pronouncements for the not-for-profit sector.

## Research Updates

Agenda Item 15

The Board noted the recent Research Centre activities, including:

- (a) the AASB inaugural's Research Forum conducted in November 2016 at the University of Technology Sydney;
- (b) the forthcoming meeting of the AASB's Academic Advisory Panel in December 2016; and
- (c) a report from the review of IFRS adoption in Australia will be finalised in Q1 2017.



## Regulatory Updates

Agenda Item 16

Staff updated the Board on recent discussions relating to the provision of financial reports to the Australian Taxation Office by significant global entities and crowd-sourced equity funding by proprietary companies.

## Emerging Issues

Agenda Item 19

None noted.

## Close of Meeting

The Chair closed the meeting at 2.50 p.m. on Wednesday, 14 December 2016.

## Approval

Signed by the Chair as a correct record  
this twenty-seventh day of March 2017