



Subject: Minutes of the 161st meeting of the AASB
Venue: TEQSA offices, Level 14, 530 Collins Street, Melbourne
Time(s): Tuesday, 12 December 2017, from 10:00 a.m. to 5:20 p.m.

All agenda items were discussed in public, except for items 1(a), 1(b), 12, and 13

Attendance

Members	Kris Peach (Chair) Regina Fikkers (Deputy Chair) Mike Blake Peter Gibson Andrew Kearnan Carmen Ridley Taryn Rulton Marc Smit Stephen Taylor Megan Wilson John O'Grady (Observer) (Items 6 – 12)
Apologies	Kimberley Crook
<i>In Attendance</i>	
Staff	Clark Anstis Tim Austin (part of meeting) James Barden (part of meeting) Shachini Dassanayake (part of meeting) Christine Helliard (part of meeting) Kala Kandiah Justine Keenan (part of meeting) Maggie Man (part of meeting) Janri Pretorius (part of meeting) Danielius Valuckas (part of meeting) Theashen Vandiar (part of meeting) Stella Yun (part of meeting)
Other	Sarah Barker, MinterEllison (Item 5) Ryan Gale, MinterEllison (Item 5)



Agenda and Chair's Report

Agenda Item 1

The Chair provided the Board with an update on recent activities including:

- the meeting of the IASB's Accounting Standards Advisory Forum (ASAF); and
- the annual meeting of the Asian-Oceanian Standard-Setters Group (AOSSG).

Apologies, Declarations of Interest, Minutes, Out-of-Session Approvals

Agenda Item 2

Apologies

Apologies were noted from Kimberley Crook.

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 the submission from the Council of Australasian Museum Directors to the IPSASB on Financial Reporting for Heritage in the Public Sector (Agenda Item C.2).

Minutes

The Board approved the minutes of the one hundred and sixtieth meeting, held on 10 October 2017.

Approvals Out of Session

The Board noted the out-of-session approval of consultation documents and Standards.

Practice Statement on Making Materiality Judgments

Agenda Item 3

The Board decided to issue an Australian version of the IFRS Practice Statement *Making Materiality Judgments*. The Board added specific guidance for not-for-profit (NFP) entities, including extending the list of 'primary users' of financial statements and additional illustrative examples.

The Board approved AASB Practice Statement 2 for issue, subject to minor amendments. The Board delegated the final review of the Practice Statement to the Chair.

Action:	Staff
	Chair



Amendments to Standards AASB 9, 10, 128, 1048 and Editorial Corrections

Agenda Item 4

The Board made the following new Standards:

- (a) AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (effective for annual periods beginning on or after 1 January 2018, deferring the effective date of the amendments to AASB 10 and AASB 128 to annual periods beginning on or after 1 January 2022);
- (b) AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation* (effective for annual periods beginning on or after 1 January 2019);
- (c) AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2019); and
- (d) a new principal version of AASB 1048 *Interpretation of Standards* (effective for annual periods ending on or after 31 December 2017).

The Standards are based on the Ballot Draft versions in the agenda papers, with minor amendments. The Board approved the Standards for issuance shortly.

Action:

Staff

Presentation on Climate Risk Governance and Disclosure

Agenda Item 5

Sarah Barker, Special Counsel, MinterEllison, presented to the Board on the significance of economic transition risks, financial risks and litigation risks in respect of climate change expectations and impacts.

Revenue from Licences in the Public Sector

Agenda Item 6

The Board decided that the Exposure Draft (ED) on accounting by public sector licensors for revenue from licences issued should:

- (a) include a specific matter for comment on whether the scope should be extended to for-profit public sector entities; and



- (b) exclude licensing arrangements involving variable consideration from the recognition exemptions for low-value licences.

The Board approved the ED for issuance shortly, with comments due 31 March 2018. The Board delegated the final review of the ED to the Chair. The Board will conduct a number of outreach activities during the comment period.

Action: Staff
Chair

Fair Value Measurement in the Public Sector

Agenda Item 7

The Board decided that the following issues, which had been flagged previously by public sector entities in applying AASB 13 *Fair Value Measurement*, will be addressed in this project:

- restrictions on assets
- “highest and best use” concept
- when to use the different valuation approaches
- implementation guidance for current replacement cost and why in practice there is little or no difference to depreciated replacement cost
- obsolescence
- disclosures
- interaction of AASB 13 with other Standards
- repurchased internally generated intangible assets.

The Board approved the proposed project timeline, but noted that FAQ guidance on the accounting treatment of peppercorn leases should be expedited. Developments in international fair value measurement projects will be monitored.

Action: Staff
Board Members

Financial Reporting Framework

Agenda Item 8

The Board will provide the summary of the feedback from the outreach sessions held in November regarding the financial reporting framework for charities to the ACNC legislative review.



The Board approved the project plan for considering the financial reporting framework for public sector entities, with minor amendments. The Board also supported a field work proposal from an academic research group as the research may help inform decisions about the reporting framework.

Action: Staff
Board Members

Reduced Disclosure Requirements for AASB 16, 1058 and 1059

Agenda Item 9

The Board decided to issue an ED proposing reduced disclosure requirements (RDR) for Tier 2 entities for AASB 16 *Leases* and AASB 1058 *Income of Not-for-Profit Entities*. However, the Board decided not to propose any disclosure concessions for AASB 1059 *Service Concession Arrangements: Grantors*. In making these decisions, the Board applied its current RDR decision-making framework. The framework proposed in ED 277 *Reduced Disclosure Requirements for Tier 2 Entities* has not yet been finalised.

The Exposure Draft will be issued shortly, with a comment period ending 31 March 2018.

Action: Staff
Chair

Revised Conceptual Framework and Implications for Special Purpose Financial Reporting

Agenda Item 10

The Board decided to follow a staggered approach to adopting the revised IASB *Conceptual Framework for Financial Reporting* in Australia as follows:

- (a) stage 1 – applicable for publicly accountable for-profit private sector entities, in order to maintain IFRS compliance; and
- (b) stage 2 – all other entities.

The Board decided to develop a consultation paper to address the difference between the definition of a 'reporting entity' in the forthcoming Conceptual Framework (which determines the boundary of what needs to be reported when an entity is required to report, e.g. consolidation) and the current definition in Australian Accounting Standards (which determines whether general purpose financial statements complying with Australian Accounting Standards is required).

As publicly accountable for-profit private sector entities are required by the Standards to prepare Tier 1 general purpose financial statements applying all accounting standards, the reporting entity concept is not relevant to them, and the revised Conceptual Framework can be made applicable to them in the first instance under stage 1 of the project.



In applying the Board's normal practice of transaction neutrality based on IFRS Standards, the Board noted that removing the Australian definition of reporting entity would remove the ability of an entity required by legislation to prepare financial statements in accordance with Australian Accounting Standards to prepare special purpose financial statements if it concludes that it is not a reporting entity as currently defined. The Board noted that its Australian financial reporting framework project is also designed to remove self-assessment of reporting requirements and ensure a level playing field. The Board agreed its preference is for the reporting framework project to remove the reporting entity concept through regulators requiring only those entities that should publicly lodge general purpose financial statements to prepare financial statements. However, the Board also discussed that legislative change may take a significant period of time and that to maintain the status quo, retaining the current Australian Conceptual Framework would be necessary.

The Board noted that having two conceptual frameworks would introduce complexity, and is not desirable for a long period of time. Accordingly, it agreed that in its consultation paper on the IASB Conceptual Framework it would highlight that an alternative to legislative change is the AASB removing SAC 1 *Definition of the Reporting Entity*, which contains the current reporting entity definition, and amending AASB 1053 *Application of Tiers of Australian Accounting Standards* to make it clear that an entity that does not have public accountability that is required by legislation to prepare financial statements in accordance with Australian Accounting Standards must comply with a Tier 2 specified accounting framework. The Board agreed that it would offer two Tier 2 options, being RDR and an option extending the current special purpose requirements in ASIC Regulatory Guide 85. This option would be based on applying the recognition and measurement criteria in all Standards, plus the disclosures specified in AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and, based on feedback from users and regulators, including disclosures from AASB 15 *Revenue from Contracts with Customers*, AASB 124 *Related Party Disclosures* and possibly others, such as the liquidity disclosures in AASB 7 *Financial Instruments: Disclosures*.

The Board also decided to amend the definition of 'publicly accountable' in AASB 1053 to align with the revised definition per the IASB's *IFRS for SMEs* Standard when the revised Conceptual Framework is issued, which will clarify that publicly accountable entities are those that have listed, or are in the process of listing, equity or debt instruments, and those who hold assets in a fiduciary capacity.

The Board plans to develop additional paragraphs for the revised Conceptual Framework in respect of not-for-profit entities in the private and public sectors and for-profit public sector entities.

Action:

Staff

Board Members



Work Program and Communications Report

Agenda Item 11

The Board noted the work program and communications report.

Close of Meeting

The Chair closed the meeting at 5.20 pm on Tuesday, 12 December 2017.

Approval

Signed by the Chair as a correct record,
this fourteenth day of February 2018