



**Subject:** Minutes of the 167<sup>th</sup> meeting of the AASB  
**Venue:** TEQSA Boardroom, Tower Level 14, 530 Collins Street, Melbourne  
**Time(s):** Tuesday, 4 September 2018, from 9:30 am – 5:50 pm.

All agenda items except items 1(a), 1(b), 7, 15, 16 and 17 were discussed in public.

## Attendance

Members  
Kris Peach (Chair)  
Mike Blake  
Kimberley Crook (to 3:00 pm)  
Ken Liow  
Carmen Ridley  
Taryn Rulton  
Stephen Taylor  
Alison White

Apologies  
Regina Fickers (Deputy Chair)  
Peter Gibson  
Marc Smit

### *In attendance*

Staff  
Clark Anstis (part of meeting)  
Patricia Au  
James Barden (part of meeting)  
Kimberley Carney  
Shachini Dassanayake  
Christine Helliard  
Neha Juneja  
Kala Kandiah  
Justine Keenan  
Damian Paull (part of meeting)  
Meina Rose (part of meeting)  
Daniel Valuckas

AUASB Staff  
Roger Simnett (Chair) (agenda items 10 and 12)  
Marina Michaelides (agenda items 10 and 12)



## **Agenda and Chair's Report**

Agenda Item 1(b)

The Chair provided the Board with an update on recent activities and future presentations.

## **Apologies, Declarations of Interest, Minutes and Approvals Out of Session**

Agenda Item 2

### ***Apologies***

Apologies were noted for Regina Fikkers, Peter Gibson and Marc Smit.

### ***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.

### ***Minutes***

The Board approved the minutes of the one hundred and sixty-sixth meeting, held on 14 August 2018.

### ***Approvals Out of Session***

There were no approvals out of session since the previous Board meeting.

## **Revenue from Licences Issued by NFP Public Sector Licensors**

Agenda Item 3

The Board made the Standard AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors*, for application to annual periods beginning on or after 1 January 2019.

The approved Standard is based on the Pre-Ballot Draft version, with amendments as follows:

- (a) options to extend the term of a licence are to be disregarded in determining whether the licence is a short-term licence;
- (b) the removal of illustrations of a licensor applying the recognition and measurement principles of AASB 15 *Revenue from Contracts with Customers* to non-IP licences. The Board decided that illustrating these aspects may lead to licensors reaching conclusions without sufficient consideration of their own specific facts and circumstances;
- (c) clarifying the illustrative examples regarding identifying distinct goods and services per paragraph 29 of AASB 15; and



- (d) clarifying in the Basis for Conclusions:
- (i) the Board's rationale for supporting the principles of AASB 15 for casino and gaming licences; and
  - (ii) although the classification between licences and taxes might differ under GFS requirements, the timing of income recognition would likely be aligned.

The Board also noted a letter from the Department of Treasury and Finance, Victoria. The Board considered the issues set out in the letter and concluded that they had been appropriately considered during the Board's deliberations in developing the Standard.

Action: Staff

## Conceptual Framework – Securitisation Funds and Public Accountability

### Agenda Item 4

The Board decided in relation to comments received on a key issue identified during the AASB's consultation on the short-term approach (Phase 1) under Invitation to Comment ITC 39 *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems*:

- (a) the Board should not assess whether listed, unquoted securitisation trusts are publicly accountable as that would require interpretation of specific facts and circumstances and such an assessment would not meet the due process requirements in the AASB's *Interpretations and Improvements Model*;
- (b) the issue is not significant enough to delay the implementation of Phase 1, as there are only 126 of these trusts with debt listings on the ASX;
- (c) transitional relief is not required for these trusts as the requirement to prepare financial statements in accordance with Australian Accounting Standards is determined by their Trust Deeds, which can be amended by the Trustees. Many of the 126 trusts affected will be wound up prior to the effective date of Phase 1;
- (d) to consider, as a separate project, (i) whether the IFRS for SMEs Implementation Group (SMEIG) guidance on trading in a public market should accompany the public accountability definition in AASB 1053 *Application of Tiers of Australian Accounting Standards*, and (ii) which types of entities should be deemed to be publicly accountable; and
- (e) further clarification of the public accountability definition should not delay the Board's consideration of Phase 1 issues.

Action: Staff



## Financial Instruments with Characteristics of Equity

### Agenda Item 5

The Board decided to develop a submission to the IASB's Discussion Paper DP/2018/1 *Financial Instruments with Characteristics of Equity*, focusing on the overall usefulness of the DP proposals in addressing key practice issues and the areas of particular interest to Australian stakeholders, being:

- (a) different classification outcomes arising from applying the IASB's preferred approach in the DP;
- (b) retaining the puttable instruments exception;
- (c) the impact on Co-operative and Mutual Enterprises;
- (d) the proposal to remove the foreign currency rights issue exception; and
- (e) non-controlling interest puts and anti-dilutive provisions.

The Board will consider a draft submission to the IASB at its next meeting, and noted that IASB Vice Chair, Sue Lloyd, will be conducting joint targeted outreach with the AASB in October.

Action: Staff

## Research Activities – Conceptual Framework and Extractive Industries

### Agenda Items 6 and 7

The Board was provided with updates on the research work related to the Financial Reporting Framework/ Conceptual Framework project and an upcoming IASB project on Extractive Industries.

In private session (agenda item 7), the Board discussed preliminary results from (1) the AASB's surveys of users of for-profit financial statements and preparers of financial statements and (2) research on the current state of financial reporting by ACNC-regulated entities. The major points from that discussion were also noted in public session. See agenda item 9 in these minutes – particularly the section regarding new proposals to be developed for not-for-profit entities.

Action: Staff

## AASB 17 *Insurance Contracts for the Public Sector*

### Agenda Item 8

The Board considered a summary of constituent feedback on the Discussion Paper *Australian-specific Insurance Issues – Regulatory Disclosures and Public Sector Entities* and decided to carry out the following activities:

- (a) conduct further field testing of the 'insurance-like' criteria;



- (b) based on the field testing, consider whether clarifications of the 'insurance-like' criteria are required, particularly the 'funding' criteria;
- (c) consider the assumptions used in determining discount rates for public sector entities; and
- (d) consider the assumptions used in determining risk margins for public sector entities.

Action:

Staff

## Conceptual Framework – Consequential Amendments

### Agenda Item 9

The Board decided that the most appropriate way to facilitate the Board's two-phase approach to applying the IASB's *Conceptual Framework for Financial Reporting* (RCF) as proposed in ITC 39 *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems* would be:

- (a) to have two conceptual frameworks until Phase 2 of the project is completed:
  - (i) the RCF would be applied by for-profit entities that have public accountability that are required to comply with Australian Accounting Standards and other for-profit entities voluntarily claiming compliance with International Financial Reporting Standards (IFRS) (FPPAE); and
  - (ii) the *Framework for the Preparation and Presentation of Financial Statements* (existing Conceptual Framework) would remain applicable to all other entities; and
- (b) to have one set of Australian Accounting Standards, including Interpretations (AAS):
  - (i) the basic text of all AAS would be updated to reflect the IASB's amendments consequential to the RCF and would apply to FPPAE. This will ensure that compliance with AAS by these entities continues to result in compliance with IFRS Standards;
  - (ii) AusCF paragraphs would be included in AAS in order to retain the existing AAS requirements that relate to the existing Conceptual Framework when the RCF becomes applicable in Australia. AusCF paragraphs would apply only to entities applying the existing CF; and
  - (iii) AusCF paragraphs would also be used to direct entities applying the existing CF to AASB 1053 for the definition of the term 'reporting entity'.

### *New Proposals to be Developed for NFP Entities*

After hearing concerns from not-for-profit (NFP) entities about the AASB's two-phase approach as proposed in ITC 39, and considering the discussions with the ACNC and other State and Territory regulators regarding recommendations in the ACNC [Legislative Review report](#), the Board decided that the proposals in ITC 39 will



apply only to for-profit entities. The Board will continue working with the ACNC and other NFP regulators to develop a separate consultation document with targeted proposals for NFP entities in due course.

As a result, the focus of the AASB's September roundtable sessions on Phase 2 of ITC 39 will be to obtain feedback in relation to for-profit private sector entities.

While the Board's aim to replace Special Purpose Financial Statements with a simple, comparable, proportionate, transparent financial reporting framework remains unchanged, the Board recognises the journey for NFP private sector entities will be very different to that for for-profit private sector entities. In this regard, the Board will continue to extensively research optimal outcomes, collaborate with regulators, and regularly consult with NFP entities to ensure a simple and fair framework and a smooth transition for NFP private sector entities. In particular, the impact of removing special purpose financial statements is more significant, there are more options, and a longer timeframe that will need to be considered for the NFP private sector.

The removal of special purpose financial statements is expected to have little impact in the public sector. The AASB's preference is to pursue financial reporting reform in the public sector via consultation based on the AASB Discussion Paper *Improving Financial Reporting for Australian Public Sector*.

Action: Staff

## Climate-related Disclosures

Agenda Item 10

The Board decided to develop a publication in collaboration with the Auditing and Assurance Standards Board (AUASB) that will use the example of climate change to illustrate how the guidance in AASB Practice Statement 2 *Making Materiality Judgements* may be applied when considering current requirements in accounting standards, particularly regarding areas of key risk to an entity. The guidance will consider how entities in sectors that are likely to be impacted by climate change (e.g. the energy, industrial, mining, agriculture, superannuation and investment sectors) should consider the current views of investors on the importance of climate change matters in assessing materiality and the consequential impact on disclosures related to climate risk in financial statements

Action: Staff

## Effective Date of AASB 1059 *Service Concession Arrangements: Grantors*

Agenda Item 11

The Board decided to issue a consultation document proposing to amend AASB 1059 to defer the effective date by one year to annual reporting periods beginning on or after 1 January 2020. A short comment period



of 30 days is anticipated. The Board is particularly interested in the views of users of public sector grantors' financial statements.

Action: Staff  
Chair

## **AASB Strategy and Financial Reporting Framework Project**

Agenda Item 12

The Board discussed the interaction of the AASB's strategic objectives (set out in its 2017-2021 Strategy) and the Financial Reporting Framework project, which incorporates the project addressing the adoption of the revised IASB Conceptual Framework. No decisions were made.

## **Work Program and Communications Report**

Agenda Item 13

The Board noted the work program and communications report.

## **Other Business**

Agenda Item 14

The Board noted the AASB submissions to other organisations, AASB Staff FAQs, IASB and IFRIC updates and additional materials.

## **Close of Meeting**

The Chair closed the meeting at 5:50 pm on Tuesday, 4 September 2018.

## **Approval**

Signed by the Chair as a correct record,  
this 13<sup>th</sup> day of November 2018