



Issue: Number 132
Date: 24 March 2010
Subject: AASB Meeting 105 (including meeting held jointly with NZ FRSB), 17-18 March 2010

Joint Meeting with New Zealand Financial Reporting Standards Board

The majority of the March meeting was conducted jointly with the FRSB in Auckland. The two Boards had short meetings of their own at the end of Day One.

Joint Work Program

The Boards considered their joint working arrangements and decided to continue to progress their joint projects (through joint staff project teams, and joint subcommittees where appropriate) and share ideas (between both staffs and the Boards) on other projects of common interest.

Long-term Fiscal Sustainability of Public Finances

The Boards considered an analysis of IPSASB Consultation Paper *Reporting on the Long-Term Sustainability of Public Finances*. They decided to indicate in their submissions to the IPSASB that they agree with the IPSASB's preliminary views that:

- (a) the presentation of information on the long-term sustainability of public finances is necessary to meet the objective(s) of financial reporting by national governments and some other governments;
- (b) such information should be presented in additional statements to financial statements or in narrative reporting; and
- (c) such information should include key assumptions underpinning projections made, and the results of key sensitivity analyses.

The Boards will consider comments subsequently received on the IPSASB Paper before finalising their submissions.

The AASB Action Alert is issued by the Australian Accounting Standards Board (AASB). It reports on meetings of the AASB as a service to its constituents. Decisions reported may be changed or modified by the AASB. Decisions become final only after completion of the formal processes required to issue documents. No responsibility is taken for the results of actions or omissions to act taken on the basis of any information in this report, or for any errors or omissions.

Financial Instruments

The Boards received an update on the IASB's Financial Instruments projects, in particular:

- Financial Instruments with the Characteristics of Equity;
- Classification and Measurement of Financial Liabilities; and
- Hedging.

The Boards expressed the view that, based on the IASB and FASB decisions so far, on these projects there is the potential that the projects will not reduce the complexity. Staff will continue to monitor the IASB's progress.

Income from Non-exchange Transactions

The Boards commenced their review of the submissions on AASB ED 180/FRSB ED 118 *Income from Non-exchange Transactions (Taxes and Transfers)*, focusing particularly on comments received on the timing of income recognition by recipients. The Boards tentatively decided to explore departing from the ED's proposal that a liability (other than an advance receipt) arises from a non-exchange transaction when and only when the transfer gives rise to a performance obligation (which may be a return obligation). The Boards decided to explore an approach in which:

- (a) an enforceable performance obligation is of itself sufficient for a liability to exist, and any related return obligation should be treated as an indicator of the enforceability of the performance obligation;
- (b) the principles for identifying an enforceable performance obligation are based on those being developed by the IASB and FASB in their joint project on Revenue Recognition; and
- (c) when a transferor in a non-exchange transaction imposes an enforceable performance obligation on the transferee, the transferor is regarded as the 'customer'.

The Boards will continue considering the submissions received on their ED at future meetings.

Australian and New Zealand Convergence

The Boards decided to propose the removal, relocation or alignment of a number of disclosure requirements in each of their sets of standards, with a view to ensuring that a for-profit entity applying either set of standards could be in compliance with the requirements of the other jurisdiction. An exposure draft is expected to be issued in May 2010 with a three-month comment period.

This convergence project is consistent with outcome proposals agreed by the Australian and New Zealand Prime Ministers in 2009.

The AASB Action Alert is issued by the Australian Accounting Standards Board (AASB). It reports on meetings of the AASB as a service to its constituents. Decisions reported are tentative and may be changed or modified by the AASB. Decisions become final only after completion of the formal processes required to issue documents. No responsibility is taken for the results of actions or omissions to act taken on the basis of any information in this report, or for any errors or omissions.

Control in the Public Sector

The Boards considered a draft joint project plan on 'Defining the Reporting Entity in the Public Sector (including consideration of the concept of control)', which is the joint project they added to their respective work programs in December 2009. The Boards decided that, given the relationship of the project to the conceptual framework, the plan should contemplate the project being progressed with significant direct involvement from the Boards, supplemented by a joint subcommittee assisting staff. Furthermore, the plan should contemplate the possibility of Phase 3+ of the project considering issues, where relevant, from a private sector not-for-profit perspective. In relation to Phase 1 of the project, the target is for a first draft of a Discussion Paper (on current issues arising from the application of the definition of control, and the extent of those issues, in practice) to be available in April 2010.

Liabilities

The Boards considered an analysis of IASB ED/2010/1 *Measurement of Liabilities in IAS 37* and decided to include the following views in their submissions to the IASB:

- (a) ideally, one measurement principle should be established for all classes of liabilities (such as provisions and liabilities in contracts with customers);
- (b) until the objective in (a) is accomplished, the Boards support the IASB's proposal that liabilities presently within the scope of IAS 37 should be measured at the lowest of:
 - (i) the present value of the resources required to fulfil the obligation;
 - (ii) the amount that the entity would have to pay to cancel the obligation; or
 - (iii) the amount that the entity would have to pay to transfer the obligation to a third party; and
- (c) the present value of the resources required to fulfil the obligation should be an entity-specific measure. Therefore, the Boards disagree with the proposed guidance that these present values should incorporate various features of a fair value measurement, such as guidance that the present value estimates should be consistent with observable market prices.

The Boards will consider comments subsequently received on the ED before finalising their submissions.

IPSASB Service Concession Arrangements

The Boards noted that the IPSASB recently issued Exposure Draft ED 43 *Service Concession Arrangements: Grantor*, with submissions due to the IPSASB by 30 June 2010. The Boards agreed that the ED should be issued in Australia and New Zealand. The AASB decided to issue an Exposure Draft containing ED 43 as soon as possible and to request comments from constituents for consideration prior to

The AASB Action Alert is issued by the Australian Accounting Standards Board (AASB). It reports on meetings of the AASB as a service to its constituents. Decisions reported are tentative and may be changed or modified by the AASB. Decisions become final only after completion of the formal processes required to issue documents. No responsibility is taken for the results of actions or omissions to act taken on the basis of any information in this report, or for any errors or omissions.

finalising its submission to the IPSASB. The FRSB decided to follow normal due process with respect to IPSASB documents and place it on its website for comment.

Planning Day

The Boards conducted a planning meeting and discussed issues affecting the future work of the Boards. These included the challenges facing standard setting in Australia and New Zealand, setting the agenda for the public and not-for-profit sectors, the relationship with the IPSASB and the use of IPSASs, differential reporting, conceptual frameworks (IASB/FASB and IPSASB), and the Boards' relationship with the National Standard Setters Group and the Asian Oceanian Standard Setters Group.

The Boards noted that there are a number of uncertainties that will affect future planning, in particular the current review of the structure of standard setting in New Zealand.

Based on these discussions a report will be prepared for both Chairs that will be used as the basis for planning the Boards' goals and processes.

The Boards confirmed their strong desire to continue to work together.

Topics dealt with by the AASB in its separate meeting

Post-Implementation Review of AASB 1049

The Board considered a draft project plan for undertaking a post-implementation review of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, noting that the focus of the review is on implementation experience at an operational level rather than a review of the fundamentals of the Standard. The aim is to finalise the review, which will involve consulting directly with each jurisdiction that has implemented AASB 1049 and may result in amendments to AASB 1049, before the end of 2010.

Emerging Issues

Consolidations

The Board considered a possible extension to the exemption from preparing consolidated financial statements for intermediate holding entities, such as not-for-profit entities and entities that could adopt the proposed Reduced Disclosure Regime, that comply with Australian Accounting Standards but not IFRSs. The Board noted the existing New Zealand position and agreed to seek further information on the potential impact of a change before finalising a proposed extension.

The AASB Action Alert is issued by the Australian Accounting Standards Board (AASB). It reports on meetings of the AASB as a service to its constituents. Decisions reported are tentative and may be changed or modified by the AASB. Decisions become final only after completion of the formal processes required to issue documents. No responsibility is taken for the results of actions or omissions to act taken on the basis of any information in this report, or for any errors or omissions.

AASB-Only Planning

The Board considered possible topics for an AASB-only strategy session scheduled for the April 2010 meeting. The Board decided that the topics should be agreed out-of-session in light of the outcome of the joint FRSB/AASB planning day, which was held on 18 March 2010.

AASB Work Program

The Board noted that the IASB has recently updated its Work Plan for IFRSs and therefore the need to update the AASB's own work program (last updated December 2009) to reflect the IASB's changes and progress made on other projects. An updated AASB work program will be available on the AASB website shortly.

Minutes

The Board approved the minutes of Meeting 104, held on 3-4 February 2010. These are now available on the website.

Documents Open for Comment

The following documents are open for comment. AASB submissions to the IASB, IFRIC or IPSASB are published on the AASB website.				
Originating Organisation	Topic	AASB No	AASB Due Date	IASB/IFRIC/IPSASB Due Date
IASB	IFRS Taxonomy 2010	N/A	N/A	22 Apr 2010
IPSASB	Reporting on the Long-Term Sustainability of Public Finances	ITC 22	1 Apr 2010	30 Apr 2010
IASB	Measurement of Liabilities in IAS 37	ED 191	closed	19 May 2010
AASB	Revised Differential Reporting Framework	ED 192	23 Apr 2010	N/A
IASB	Financial Instruments: Amortised Cost and Impairment	ED 189	17 May 2010	30 Jun 2010
IASB	Conceptual Framework for Financial Reporting: The Reporting Entity	TBA	TBA	15 Jul 2010
AASB	Consultation Paper: Differential Financial Reporting	N/A	23 Apr 2010	N/A

Next Meeting on 28-29 April 2010

It is anticipated that the Board will address the following items:

- GAAP/GFS Harmonisation
- Superannuation
- Related Party Disclosures in the NFP Public Sector

The AASB Action Alert is issued by the Australian Accounting Standards Board (AASB). It reports on meetings of the AASB as a service to its constituents. Decisions reported are tentative and may be changed or modified by the AASB. Decisions become final only after completion of the formal processes required to issue documents. No responsibility is taken for the results of actions or omissions to act taken on the basis of any information in this report, or for any errors or omissions.

- Differential Reporting
- Statutory Receivables
- Financial Instruments
- AASB Planning

2010 Meeting Dates

Remaining 2010 meeting dates are:

- 9-10 June
- 28-29 July
- 1-2 September
- 27-28 October (Wellington, NZ)
- 8-9 December

Unless indicated otherwise, meetings are held in Melbourne.

The AASB Action Alert is issued by the Australian Accounting Standards Board (AASB). It reports on meetings of the AASB as a service to its constituents. Decisions reported are tentative and may be changed or modified by the AASB. Decisions become final only after completion of the formal processes required to issue documents. No responsibility is taken for the results of actions or omissions to act taken on the basis of any information in this report, or for any errors or omissions.