



Subject: Minutes of the 96th meeting of the AASB

Venue: Ken Spencer Room, AASB offices
Level 7, 600 Bourke St, Melbourne

Time(s): Wednesday 4 March from 9:00 a.m. to 5:30 p.m. and Thursday 5 March 2009 from 8.30 a.m. to 4.00 p.m.

All agenda items except items 1, 2 and 16 were discussed in public.

Attendance

Members

- Bruce Porter (Acting Chairman)
- Victor Clarke
- Sue Highland
- Mark Jenkin
- Ian McPhee
- John O'Grady (from 9:30 a.m. Day 2)
- Frank Palmer
- Kris Peach
- Bruce Porter
- Brett Rix
- Robert Williams

In attendance

- Peter Batten (IPSASB member) Agenda item 6
- Stephen Cooper IASB member (Agenda item 17)
- Patricia McBride Director Accounting Standards NZICA
- Warren McGregor IASB member (Agenda item 17)

Apologies

- Glenn Appleyard
- John O'Grady (Day 1)
- Joanna Perry

Staff

- Clark Anstis (in part)
- Dean Arden (in part)
- Natalie Batsakis (in part)
- Glenn Brady (in part)
- Maybelle Chia (in part)
- Geoff Harris
- Robert Keys (in part)
- Chris Pang (in part)
- Jim Paul (in part)
- Joanna Spencer (in part)
- Angus Thomson
- Raymond Yu (in part)

Apologies, Agenda, Minutes, Matters Arising from Minutes and Declaration of Interests

Agenda Item 1

The chairman welcomed Patricia McBride, Director Accounting Standards, NZICA to the meeting as an observer.

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 confirmed the minutes of the ninety-fifth meeting held on 5 February 2009.

Chairman's Report

Agenda Item 2

The Chairman informed members of:

- (a) changes to administrative processes and arrangements as a result of the AASB being an entity under the *Financial Management and Accountability Act 1997*;
- (b) the secondment of a member of the technical staff to the IASB. Members expressed the view that such secondments are important for staff development and maintaining close ties with the IASB at both a staff and Board level;
- (c) his attendance at the Trans-Tasman Accounting and Assurance Standards Advisory Group in February 2009. Members noted that issues discussed included alternative approaches to the process of adopting IFRSs for application in Australia and issues relating to emissions trading; and
- (d) his attendance at the FRC meeting and a meeting with Senator the Hon. Nick Sherry, Minister for Superannuation and Corporate Law. Members noted that issues discussed included the nature of audit opinions in response to the effects of the global financial crisis and the current framework for audit regulation.

Action:

Chair

IASC Foundation Constitution Review

Agenda item 3

The Board had before it:

- (a) a memorandum from Robert Keys dated 18 February 2009 (Agenda paper 3.1);
- (b) draft AASB submission on Part 2 of the IASCF Review of the Constitution (Agenda paper 3.2) amended agenda paper 3.2, reflecting out-of-session comments from various Board members on agenda paper 3.2 (agenda paper 3.2A); and
- (c) IASCF discussion document *Review of the Constitution – Identifying Issues for Part 2 of the Review* (Agenda paper 3.3).

The Board considered agenda paper 3.2A and agreed that after being amended to reflect the decisions set out in Attachment A, the submission should be cleared through the Acting Chairman and a copy provided to the Financial Reporting Council for it to use, if it wishes, as input to developing its own submission.

Action:

Staff
Acting Chairman

Differential Reporting

Agenda item 4

The Board had before it:

- (a) a memorandum from Ahmad Hamidi dated 23 February 2009 (Agenda paper 4.1);
- (b) staff paper 'Proposed Revised Differential Reporting Regime: Board Decisions to Date' (Agenda paper 4.2);
- (c) staff paper 'Proposed Revised Differential Reporting Regime: The Nature of Financial Statements Voluntarily Made Available to the Public at Large' (Agenda paper 4.3);
- (d) staff paper 'The Meaning of Financial Statements' (Agenda paper 4.4); and
- (e) staff paper 'Suggested Roadmap of Future Work' (Agenda paper 4.5).

The Board continued its discussion of the nature of financial statements made available to the public at large, whether under a legal mandate or otherwise. The Board tentatively decided that financial statements that are made available to the public at large should be prepared in accordance with applicable accounting standards:

- (a) when a regulator or regulation requires those financial statements to be:
 - (i) general purpose financial statements (GPFs); or
 - (ii) prepared in accordance with accounting standards; or
- (b) when a regulator or regulation requires those financial statements and an entity elects to explicitly claim them to be:
 - (i) GPFs; or
 - (ii) prepared in accordance with accounting standards; or
- (c) when an entity voluntarily makes those financial statements available and elects to explicitly claim them to be:
 - (i) GPFs; or
 - (ii) prepared in accordance with accounting standards.

The Board confirmed its previous tentative decisions that:

- (a) preparation in accordance with applicable accounting standards means the application of all applicable accounting standards and not a subset of them; and

- (b) the phrase 'applicable accounting standards' is taken to be a reference to full IFRSs as adopted in Australia and any other reporting requirements that are devised by the AASB for the preparation of GPFs such as a future IFRS for Non-Publicly Accountable Entities as adopted in Australia.

Action:

Staff

Income from Non-Exchange Transactions

Agenda item 5

The Board had before it:

- (a) a memorandum from Clark Anstis dated 27 February 2009 (Agenda paper 5.1);
- (b) a draft Exposure Draft *Income from Non-Exchange Transaction (Taxes and Transfers)*, marked up from the December 2008 version (Agenda paper 5.2); and
- (c) an Issues Paper – AASB 1004 Implications (Agenda paper 5.3).

The Board discussed the issues raised in the agenda papers and the draft Exposure Draft (ED), which is based on IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)*, and made the following decisions:

- (a) the term 'income' should be used instead of 'revenue' throughout the ED, including the implementation guidance, because non-exchange transactions may occur outside the course of the ordinary activities of an entity;
- (b) the definition of 'contributions from owners' in the ED should be the same as the definition used by the International Public Sector Accounting Standards Board (IPSASB), which has minor wording differences from the definition of 'contributions by owners' in AASB 1004 *Contributions*;
- (c) the scope of the ED should not be expanded from not-for-profit entities to include for-profit government departments, but the ED should ask whether the requirements in AASB 1004 for for-profit departments are still required;
- (d) parliamentary appropriations should be identified in the ED as non-exchange transactions, but instead of including the draft example in the implementation guidance the ED should ask whether further guidance is needed;
- (e) the transitional provisions in the ED should propose prospective application from the start of the earliest comparative period presented in the first financial statements to which the resulting Standard applies, with retrospective application permitted;
- (f) the implementation guidance should continue to include the IPSASB examples for a value added tax and death duties, since the guidance is illustrative generally rather than specifically for Australian circumstances;
- (g) the ED should include the Basis for Conclusions of the IPSASB from IPSAS 23 and also a Basis for Conclusions for the Board's own significant decisions; and
- (h) in relation to AASB 1004:
 - (i) the ED should propose that the resulting Standard should supersede AASB 1004 except for the requirements concerning the restructure of administrative arrangements (paragraphs 54-59), which apply only to government departments (both not-for-profit and for-profit) and other government-controlled not-for-profit entities; and

- (ii) the ED should ask whether the recognition requirements for contributions by and distributions to owners (paragraphs 48-53), which apply only to local governments, government departments and whole of governments, are still required.

The Board requested staff to consider whether the ED should propose the retention or withdrawal of Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*, or the transfer of only selected Interpretation 1038 content to a remaining AASB 1004, given that the indicators of contributions by owners set out in paragraph 8 of Interpretation 1038 are included in the ED.

The Board requested a revised draft ED for consideration at the next meeting, incorporating the above decisions and additional editorial changes.

Action: Staff

Consolidated Financial Statements

Agenda item 6

The Board had before it:

- (a) a memorandum from Natalie Batsakis dated 27 February 2009 (Agenda Paper 6.1);
- (b) draft AASB submission on IASB Exposure Draft ED 10 *Consolidated Financial Statements* (Agenda Paper 6.2); and
- (c) Submissions received on ED 171 *Consolidated Financial Statements* (Agenda Paper 6.3).

The Board reviewed submissions from Australian constituents on ED 171, which includes the IASB's ED 10, and a draft submission to the IASB and agreed that its submission should:

- (a) express its disappointment with the length and timing of the comment period provided by the IASB on such a significant topic and raise concerns regarding the potential for future amendments when the Standard is reconsidered as part of the Convergence project with US FASB;
- (b) indicate that the changes in terminology are unlikely to achieve their objective and outline its concerns about the potential practical implications of the distinction being made in the guidance for assessing control between structured and non-structured entities;
- (c) express concerns about how aspects of the proposals relating to de facto control will be made operational; and
- (d) note that the assumption that there is a high correlation between the variability of returns and control is not a sound basis on which to require consolidation; and
- (e) indicate that, in view of the extent of judgments that will be required to apply the Standard, there is a significant need for additional application guidance.

Together with the Acting Chairman, Mr Palmer, Ms Peach and Mr Rix agreed to help finalise the submission out-of-session.

Action: Staff
Mr Palmer
Ms Peach
Mr Rix
Acting Chairman

Extractive Activities

Agenda item 7

The Board had before it:

- (a) a memorandum from Glenn Brady and Joanna Spencer dated 19 February 2009 (Agenda paper 7.1); and
- (b) a set of presentation slides on the extractive activities research project (Agenda paper 7.2).

The Board had an education session on the IASB's Extractive Activities research project, which is being undertaken for the IASB by an international project team led by AASB staff.

The Board was informed that:

- (a) the proposals are expected to be contained in the research project's forthcoming Discussion Paper (DP), which is expected to be published in the second quarter of 2009 with a comment period of six months;
- (b) the DP represents the first step towards the development of comprehensive IFRS requirements to address financial reporting issues associated with exploring for, finding, developing and extracting minerals, oil, and natural gas; and
- (c) the proposed requirements, if adopted, are expected to eventually supersede AASB 6 *Exploration for and Evaluation of Mineral Resources*.

Modifying IFRSs for Not-For-Profit Entities

Agenda item 8

The Board had before it:

- (a) a memorandum from Angus Thomson and Patricia McBride dated 24 February 2009 (Agenda paper 8.1);
- (b) a memorandum from Patricia McBride to the ASRB dated 13 February 2009 (Agenda paper 8.2);
- (c) draft Invitation to Comment on FRSB Working Draft *FRSB and AASB Process for Modifying, or Introducing Additional Requirements to, IFRSs for PBEs* – marked up (Agenda paper 8.3); and
- (d) Working Draft *FRSB and AASB Process for Modifying, or Introducing Additional Requirements to, IFRSs for PBEs* – marked up (Agenda paper 8.4).

The Board noted that, although it has discussed earlier drafts of the *Process* document, the draft Invitation to Comment and Working Draft *Process for Modifying or Introducing Additional Requirements to IFRSs for PBEs/NFPs* being considered at this meeting are based largely on documents most recently prepared by the FRSB for the New Zealand Accounting Standards Review Board.

The Board noted that, consistent with its earlier views, its preferred position is not to formally expose the *Process* document for public comment, but to simply have the *Process* on the website and note that it is an evolving document and accept comments as the Board and constituents gain experience from its use. However, the Board decided that it is prepared to issue the *Process* document jointly with the FRSB for a specific comment period in the interests of Trans-Tasman convergence, and that the document should be made generic to Australia and New Zealand in the interests of aiming to have common processes in both jurisdictions with a view to achieving greater Trans-Tasman convergence.

Furthermore, the Board decided that:

- (a) in exposing the *Process* document it should be made clear that it relates to processes rather than policies of the AASB;
- (b) on the front page of the Invitation to Comment, the 'Executive Summary of Proposals' and specific references to ASRB Release 8 should be deleted and replaced with an explanation of why the Invitation is being issued for comment;
- (c) in the *Process* document, paragraph 4 outlining what the document is intended to do, should be modified to note that:
 - (i) an aim of the *Process* document is that different people applying it will not necessarily result in similar conclusions about whether there is a basis for modifying IFRSs; and
 - (ii) following the *Process* document does not mean the Boards will necessarily make modifications;
- (d) consideration should be given to setting out paragraph 4 of the *Process* document in bold typeface for emphasis;
- (e) the reference in paragraph 11 of the *Process* document to transactions or events that are "more common for PBEs/NFPs" should be linked back to user needs;
- (f) the lead in to paragraph 12 of the *Process* document should be changed by deleting reference to "... considering whether or not there is a difference ..." and including a reference to 'the nature of transactions';
- (g) the reference in paragraph 13 of the *Process* document to 'weighted' should be changed to 'weighed up', or similar wording;
- (h) the reference in paragraph 14 of the *Process* document to "... where it is found that other factors are commonly used ..." be changed to something along the lines of "... where the Boards discover/encounter new factors ...";
- (j) the example in paragraph 17 be changed to the relief provided to PBEs/NFPs in NZ IAS 16 *Property, Plant and Equipment* and AASB 116 *Property, Plant and Equipment* from providing cost disclosures when the fair value model is applied;
- (k) rather than including an example in paragraph 21, explain that the Boards made modifications prior to developing the *Process* document and they will re-assess past decisions once they have some experience with its use.

Subject to the further considerations of the FRSB, the Board noted that it expects to issue the *Process* document for comment late in March 2009.

Action:

Staff
Acting Chairman

Related Party Disclosure – Relationships With The State

Agenda item 9

The Board had before it:

- (a) a memorandum from Sabine Schührer dated 20 February 2009 (Agenda paper 9.1);
- (b) draft submission letter to IASB on its ED *Relationships with the State* (Agenda paper 9.2); and

- (c) a comment letter on ED 170 *Relationships with the State* (Agenda paper 9.3).

The Board agreed with the points made in the draft and additionally decided that:

- (a) the response to question 1 should note that the AASB's concern about the extent of the proposed exemption should be emphasised by noting that recent events have led some governments to take significant and sometimes controlling stakes in financial institutions that may then deal with one another or other government influenced or controlled entities based government policy, and that the other remaining stakeholders in those institutions would be expected to have a keen interest in related party dealings that are not at arm's length with other entities significantly influenced or controlled by government;
- (b) the submission should comment that it is not clear as to what is meant by 'significant voting power', and the concern that introducing a new notion, in addition to the established notions of joint control and significant influence is not appropriate outside the context of a thorough review of the established notions; and
- (c) staff should investigate the terms used in IFRSs generally to determine if this supports the comment about using the term 'government' instead of 'state' in IAS 24.

The Board agreed that the submission should be finalised by staff in consultation with the Acting Chairman based on the above decisions.

Action: Staff
Acting Chairman

Statement of Policies and Processes

Agenda paper 10

The Board had before it:

- (a) a memorandum from Geoff Harris dated 17 February 2009 (Agenda paper 10.1); and
- (b) draft statement of *Policies and Processes* (Agenda paper 10.2).

The Board decided that the draft statement should:

- (a) put the role of the AASB in context by explaining the standard-setting process and interrelationships with the Financial Reporting Council;
- (b) state the entities for which standards are being set;
- (c) link discussion of communication with constituents with the discussion of the due process;
- (d) in respect of due process, explain the AASB's approach to determining the comment period in respect of its own documents and those based on IASB/IPSASB documents;
- (f) refer to AASB publications and focus groups more generally, rather than mentioning specific publications of the AASB such as the *Action Alert* and *Transparency* or specific focus groups;
- (g) explain the differences between focus groups, project advisory panels, Interpretations advisory panels and roundtables;
- (h) separately discuss the approach to developing domestic Standards and the adoption of IFRSs; and
- (i) restructure and reorder the content dealing with contributing to international standard-setting including co-operation with the New Zealand standard-setter.

The Board agreed to consider an amended draft at its May 2009 meeting and that it would consult with the FRC before determining the nature of the due process to be undertaken.

Action: Staff

IPSASB Conceptual Framework

Agenda item 11

The Board had before it:

- (a) a memorandum from Jim Paul dated 27 February 2009 (Agenda paper 11.1);
- (b) a draft submission to the IPSASB on its Consultation Paper *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: The Objectives of Financial Reporting, The Scope of Financial Reporting, The Qualitative Characteristics of Information Included in General Purpose Financial Reports, and The Reporting Entity* (Agenda paper 11.2);
- (c) comment letters received in relation to the IPSASB Consultation Paper (Agenda paper 11.3); and
- (d) a copy of the IPSASB Consultation Paper (provided previously).

The Board approved the draft submission to the IPSASB, subject to making the amendments as set out in Attachment B.

Action: Staff
Acting Chairman

Interpretations

Agenda item 12

The Board had before it:

- (a) a memorandum from Joanna Spencer dated 17 February 2009 (Agenda paper 12.1);
- (b) a paper: Interpretation issues in progress (IFRIC and domestic topics as at 24 February 2009) (Agenda paper 12.2);
- (c) a memorandum from Jim Paul, Maybelle Chia and Joanna Spencer dated 25 February 2009 re Interpretation 18 (Agenda paper 12.3);
- (d) draft AASB Interpretation 18 *Transfers of Assets from Customers* (Agenda paper 12.3.1);
- (e) a letter from Kerry McIlwraith, Chief Finance Officer, ACTEW Corporation, dated 11 February 2009 and the response from the AASB Acting Chairman dated 25 February 2009, re the status of UIG Interpretation 1017 *Developer and Customer Contributions for Connection to a Price-Regulated Network* (Agenda paper 12.3.2);
- (f) a memorandum from Joanna Spencer dated 17 February 2009 re revised AASB 1048 *Interpretation and Application of Standards* (Agenda paper 12.4);
- (g) draft AASB 1048 *Interpretation and Application of Standards* – clean copy (Agenda paper 12.4.1);
- (h) draft AASB 1048 *Interpretation and Application of Standards* – marked up copy (Agenda paper 12.4.2);

- (i) a draft submission to the IASB on ED/2009/01 “Post-implementation Revisions to IFRIC 9 *Reassessment of Embedded Derivatives* and IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*” dated 24 February 2009 (Agenda paper 12.5); and
- (j) a submission to the AASB on ED 175 *Post-implementation Revisions to AASB Interpretations* dated 25 February 2009 (Agenda paper 12.5.1).

AASB Interpretation 18 *Transfers of Assets from Customers*

The Board approved AASB Interpretation 18 *Transfers of Assets from Customers*, which adopts the requirements of IFRIC 18 *Transfers of Assets from Customers*. AASB Interpretation 18 is consistent with the draft of that Interpretation considered by the Board, except that the Board decided to exclude proposed subparagraph Aus21.6(b). That proposed paragraph said: “When applicable, this Interpretation supersedes AASB 1004 *Contributions* in respect of transactions within the scope of this Interpretation”. The Board decided such a subparagraph is not needed.

The Board noted advice that applying draft AASB Interpretation 18 would be likely to cause GAAP/GFS harmonisation differences in few, if any, cases.

AASB Interpretation 18 applies prospectively to transfers of assets from customers received on or after 1 July 2009 and can be applied to earlier transfers from customers provided the valuations and other information needed in respect of past transfers were obtained at the time those transfers occurred. When applied, AASB Interpretation 18 supersedes AASB Interpretation 1017 *Developer and Customer Contributions for Connection to a Price-Regulated Network*.

AASB 1048 *Interpretation and Application of Standards*

The Board made AASB 1048 *Interpretation and Application of Standards* (March 2009) which is applicable for annual reporting periods ending on or after 31 March 2009. The Board noted that AASB 1048 (March 2009) includes the addition of AASB Interpretation 17 *Distribution of Non-cash Assets to Owners* and AASB Interpretation 18 *Transfers of Assets from Customers*.

AASB submission to IASB ED/2009/01

The Board reviewed and finalised its submission letter on the IASB’s Exposure Draft ED/2009/01 “Post-implementation Revisions to IFRIC 9 *Reassessment of Embedded Derivatives* and IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*”.

Action:

Staff
Acting Chairman

Internally Generated Intangible Assets

Agenda item 13

The Board had before it:

- (a) a memorandum from Robert Keys and Chris Pang dated 19 February 2009 (Agenda Paper 13.1); and
- (b) a draft submission to the National Standard Setters (NSS) on the Discussion Paper *Initial Accounting for Internally Generated Intangible Assets* (Agenda Paper 13.2).

The Board considered Agenda Paper 13.2 and agreed that it is appropriate for the submission to focus on providing suggestions for undertaking further research into the accounting for intangible assets. However, the draft submission should be amended to:

- (a) avoid implying that the Board necessarily concurs with the technical conclusions in the Discussion Paper. This is because the Board has not fully debated those conclusions. The Board noted that it is

not necessary for it to do so for the purposes of its submission, given the Board's view that further research is needed before the conclusions in the Paper are considered for adoption; and

- (b) leave open the manner in which the Board may participate in any ongoing research. In particular, the words 'as a project team member' should be deleted from the last sentence of the second last paragraph on page 2. The Board will consider at a future meeting how it might best contribute to global standard-setting, noting that subject to consideration of competing topics, leading further research on intangible assets is a possibility. As input to the Board's future consideration, the Board directed staff to prepare a list of global activities currently being undertaken by other NSS members.

The Board decided that the submission should be finalised out-of-session and cleared through the Acting Chairman.

Action:	Staff Acting Chairman
---------	--------------------------

Revenue Recognition

Agenda item 14

The Board had before it:

- (a) a memorandum from Jim Paul and Maybelle Chia dated 25 February 2009 (Agenda paper 14.1);
- (b) a copy of the Invitation to the Board's Roundtables on the IASB's Revenue Recognition Discussion Paper (Agenda paper 14.2);
- (c) AASB Invitation to Comment 18 "Request for Comment on IASB Discussion Paper *Preliminary Views on Revenue Recognition in Contracts with Customers*" (Agenda paper 14.3); and
- (d) a staff note on possible issues for discussion with visiting IASB Members (Agenda paper 14.4 – tabled).

The Board had an education session on some of the proposals in the IASB DP, noting the staff's summary of the main potential changes to current practice under IFRSs that the DP proposes and requested that staff prepare a report on:

- (a) whether security interests over goods sold would preclude the passage of control of the goods to the customer (and therefore preclude the recognition of revenue); and
- (b) in relation to whether the DP's proposals are consistent with the IASB's latest tentative decisions about principles for derecognition of financial assets in its Derecognition project.

Notes on the discussion are included in Attachment C.

Action:	Staff
---------	-------

Other Business and Correspondence

Agenda item 15

The Board had before it:

- (a) Additional submission on ED 167 *Discontinued Operations – Proposed Amendments to AASB 5* (Agenda paper 15.1);
- (b) Additional submission on ED 168 *Discontinued Operations – Proposed Amendments to AASB 5* (Agenda paper 15.2);

- (c) AASB Work Program (February 2009) (Agenda paper 15.3);
- (d) SEC Press Release: SEC Report to Congress on Mark-to-Market Accounting (30 December 2008) (Agenda paper 15.4);
- (e) a memorandum from Geoff Harris dated 24 February 2009 re status of ED 173 *Investments in Debt Instruments: – Proposed Amendments to AASB 7* (Agenda paper 15.5);
- (f) a memorandum from Geoff Harris dated 24 February 2009 re AASB roundtables (Agenda paper 15.6); and
- (g) *FRSB Alert* (February 2009) (Agenda paper 15.7).

Financial Instruments

The Board noted that the IASB has decided at this stage not to proceed with proposed amendments to IFRS 7 *Financial Instruments: Disclosures* relating to investments in debt instruments. The Board agreed to monitor IASB developments in respect of issues relating to the now lapsed proposals included in ED 173 *Investments in Debt Instruments – Proposed Amendments to AASB 7*.

Action:

Staff

IASB Liaison

Agenda item 17

The Board met with Warren McGregor and Stephen Cooper, IASB members, and discussed a range of issues including the IASB's due process, the IASB/FASB projects on Presentation of Financial Statements and Post-employment Benefits, issues relating to the IASB's responses to the global financial crisis, IFRSs for Non-publicly Accountable Entities and proposals relating to Consolidated Financial Statements.

The Board expressed particular concerns about the difficulties that it and its constituents are experiencing with the IASB's current approach to due process both in terms of the limited time available for comment and the timing of the release of documents as has occurred in respect of proposals on consolidated financial statements and exposures relating to financial instruments.

The Board also noted that:

- (a) the IASB has arranged field testing of its proposals on the presentation of financial statements;
- (b) in respect of post-employment benefits (pensions) the IASB is now focussing on removing optional methods of accounting, including the corridor approach; and
- (b) although the IASB proposes to reduce the disclosure burden in its forthcoming Standard on Non-publicly Accountable Entities it may not re-expose the changes on the grounds that adoption of the Standard will be voluntary.

Review

Agenda item 16

Members requested that staff provide them with an 'early warning' in respect of Exposure Drafts and Discussion Papers that are to be discussed at a meeting and that priority items/issues be highlighted in the accompanying agenda papers.

Close of Meeting

The Chairman closed the meeting at 4.00 p.m. on 5 March 2009.

Approval

Signed by the Acting Chairman as a correct record
this twenty-second day of April 2009.

ATTACHMENT A

IASC Foundation Contribution Review

Agenda item 3

The Board considered Agenda paper 3.2A and decided to amend:

- (a) the covering letter to:
 - (i) change the phrase “strengthen the structure of the organisation” in the second sentence of the second paragraph to “strengthen the standard-setting structure”;
 - (ii) make the point that the AASB is concerned that any perceived weaknesses in the standard setting structure might pose a threat to the plans of some countries, such as the US, to adopt IFRSs, and thereby undermine the aspiration for truly global standards;
 - (iii) change the sentence above the ‘Staff note to Board’ along the lines of “A review of the constitution that results in a strengthening of the standard setting structure is likely to be helpful in this context”; and
 - (iv) change the second last paragraph to better capture the view expressed in response to question 3 that the desire for the IASB to address not-for-profit and public sector issues is a longer term aspiration;
- (b) the response to question 1 on the objectives of the standard setting structure to:
 - (i) note that, because the IASB is already considering small and medium-sized entities, the reference to ‘participants in the world’s capital markets’ needs to be broadened; and
 - (ii) suggest that the reference to ‘enforceable’ in the objective is changed to ‘operational’ or ‘effective’, to avoid anti-abuse connotations;
- (c) the response to question 2 on the reference to ‘standards based upon clear principles’ to:
 - (i) suggest that the Constitution’s reference to a principle-based approach to standard setting be expressed as an aspiration; and
 - (ii) suggest that the Constitution be amended to clarify the meaning of a principle-based approach to standard setting;
- (d) the response to question 3 on the IASB’s attention to not-for-profit and public sector issues to note that such attention would contribute to the development of higher quality and more understandable standards because it would entail greater attention being given to fundamental principles through consideration of issues from a transaction-neutral perspective;
- (e) the response to question 4 on the bodies with which the IASB should collaborate to:
 - (i) encourage the IASB to consult as widely as possible, and express the AASB’s view that the Constitution should allow the IASB to collaborate with whichever constituents are appropriate to the circumstances; and
 - (ii) note that, with the exception of the reference to national standard setters already made in paragraph 28 of the Constitution and reference to IPSASB in the context of Question 3, it is not necessary to specifically name all collaborating organisations in the Constitution;
- (f) the response to question 8 on the funding model to express the AASB’s view that a voluntary funding system is not sustainable, and note that the nature of funding has the potential to impact the

perception of IASB independence. Accordingly, the AASB encourages the Trustees to find an alternative permanent funding system, such as a levying system through securities exchanges;

- (g) the response to question 10 on the IASB's due process to note the AASB's concern that recent departures from normal due process, inadequate comment periods on important issues such as consolidations and the proposals for retrospective application of certain amendments have not been appropriate;
- (h) the response to question 11 on the suitability of an IASB 'fast track' procedure to:
 - (i) note that the AASB would expect a fast track procedure to be used only in rare and exceptional circumstances and would normally only be used to defer or cancel an existing requirement. The AASB would not expect it to apply to a change to an existing requirement or creation of a new requirements; and
 - (ii) note the AASB's view that consideration should also be given to the practicalities of the timing of consultation, for example the Holiday/summer season in the Southern Hemisphere;
- (i) the response to question 12 on the current procedures and composition of the Standards Advisory Council (SAC) to note that the AASB understands that the SAC is now operating under new protocols, which looks encouraging for a more effective SAC in the future. If the SAC is able to operate more effectively, there would be less need for other bodies to be created such as an Expert Advisory Panel and a Financial Crisis Advisory Group; and
- (j) the response to question 14 on other issues to note the AASB's suggestion that the Trustees give consideration to the IFRS 'branding' issue. It is important for the IFRS brand to be protected so that only those countries that adopt IFRS in full can claim IFRS compliance.

ATTACHMENT B

IPSASB Conceptual Framework

Agenda item 11

The Board considered Agenda paper 11.2 and decided that:

- (a) the covering letter should:
 - (i) give greater acknowledgement to the benefits of the IPSASB developing its Conceptual Framework;
 - (ii) acknowledge that the feedback on the IPSASB's Consultation Paper should provide valuable input to any joint work between the IPSASB and IASB in developing a common set of concepts;
 - (iii) avoid any implication that the IPSASB's *Framework* is less important than, or subservient to, the IASB's revised *Framework*; and
 - (iv) identify the steps in paragraphs (b) and (c) of the covering letter as activities to be performed if the IPSASB and IASB work jointly to develop a common set of concepts for not-for-profit entities;
- (b) regarding Preliminary View 3, the submission should recommend that the legislature should not be identified as a 'major user' of GPFs of public sector entities because doing so implies that the three identified categories of 'potential users' of GPFs are less important than the legislature. Instead, the legislature should be given equal prominence to those three identified categories;
- (c) regarding Preliminary View 4, the submission should recommend that the proposed objective of providing information for 'making resource allocation, political and social decisions' should be amended to providing information for 'making policy and resource allocation decisions'. References to

making 'political decisions' may seem party-political. References to making 'social decisions' seem excessively broad because any number of social decisions may be made about governments and other public sector entities: not all of these are best served by information in GPFRs;

- (d) as a consequence of the change described in (c), to omit the comment in proposed paragraph (a) of the draft submission regarding Preliminary View 4;
- (e) regarding the proposal in Preliminary View 5 that the scope of financial reporting of GPFRs of public sector entities should include, amongst other things: (1) certain 'non-financial information'; (2) information about 'the reporting entity's achievement of its service delivery objectives'; and (3) 'prospective financial and other information about the reporting entity's future service delivery activities and objectives, and the resources necessary to support those activities', the Board's qualified support is to be explained as reflecting its view that including such information in GPFRs should neither be precluded nor required. This explanation should be linked with the Board's recommendation that the amount of non-financial information included in the scope of GPFRs should be limited to information best communicated in GPFRs, and with the Board's support for Preliminary View 6 (namely, that 'The scope of financial reporting should evolve in response to users' information needs, consistent with the objectives of financial reporting');
- (f) in addition, regarding Preliminary View 5, the submission should recommend that 'prospective financial and other information about the reporting entity's future service delivery activities and objectives, and the resources necessary to support those activities' in GPFRs should be limited to information that is central to assessing such matters; and
- (g) regarding Preliminary Views 8 and 9 in relation to, respectively, the key characteristics of a reporting entity and the boundaries of a group reporting entity, the submission should:
 - (i) repeat the comments made in the Board's submission to the IASB on its Discussion Paper on the concept of the Reporting Entity;
 - (ii) recommend that the Reporting Entity component of the IPSASB *Framework* should be omitted from Phase 1 of the *Framework* and dealt with in a separate component, because the issues relating to Preliminary Views 8 and 9 are more complex than those addressed in the Consultation Paper;
 - (iii) recommend that the concept of the boundaries of a group reporting entity should be omitted from the *Framework*. Instead, an all-encompassing concept of a reporting entity should be developed that applies equally to individual reporting entities and group reporting entities. Consistent with Preliminary View 8, the existence of a reporting entity should be identified by reference to the information needs of users. Then, the boundaries of any reporting entity should be based on control (at a standards level, consideration could be given to also identifying the boundaries of other reporting entities based on common control);
 - (iv) as a consequence of (iii), omit proposed main comment (b) on Preliminary View 9;
 - (v) note that the proposed criteria for including an entity in a group reporting entity are inconsistent with some of the other concepts proposed in the Consultation Paper, because those criteria focus mainly on financial aspects (e.g., exposure to a financial burden) whilst the Consultation Paper proposes that the objectives and scope of GPFRs should not be limited to providing financial information;
 - (vi) include, in 'additional comment (a)' on Preliminary View 9, a comment that the concept of benefiting from the activities of another entity is very broad and should be viewed as encompassing the exposure to variability of returns (whether positive or negative). Therefore, it should be unnecessary for the IPSASB *Framework* to separately refer to exposure to a financial burden that can arise from the operations or actions of another entity; and
 - (vii) recommend that any reference to 'power to govern' should be replaced with 'power to direct'.

ATTACHMENT C

Revenue Recognition

Agenda item 14

Board Members commented that:

- (a) if revenue were limited to increases in an entity's net position in a contract with a customer, consideration should be given to why revaluation gains arising from an entity's ordinary activities and other enhancements to assets arising from activities outside contracts with customers should be excluded from revenue;
- (b) more guidance is needed on when control of a good sold passes to the customer;
- (c) in relation to the DP's proposal that contract origination costs should be recognised as expenses as they are incurred, unless they qualify for recognition as an asset in accordance with other Standards, consideration should be given to whether:
 - (i) the proposal is more consistent with a mark-to-market model than the modified historical cost model generally applied by entities; and
 - (ii) revenue should be recognised to the extent of acquisition costs recognised as an expense;
- (d) it is a concern that the DP does not include proposals on the measurement of an entity's rights in a contract with a customer, because the treatment of sales contracts with variable prices or contingent consideration is an important and pervasive issue. In this regard, some Board Members commented that:
 - (i) for these contracts, if partially completed, consideration should be given to measuring revenue to date at cost to date plus a constant margin expected for the contract or relevant segment thereof; and
 - (ii) when considering the possible treatment in (i), consideration should be given to using a standardised constant discount rate for consistency with a similar view discussed in the Extractive Activities research project's forthcoming DP;
- (e) it would be preferable to refer to identifying and accounting for 'onerous performance obligations' rather than 'onerous contracts', because the DP's proposals could involve remeasuring particular performance obligations to a customer even if the contract with that customer is expected to remain profitable overall;
- (f) consideration should be given to whether the DP's proposal to identify separate performance obligations in each contract to assess which of those obligations is onerous (referred to in (e) above) is consistent with the DP's proposal to recognise a net contract asset/liability for a contract with a customer in the statement of financial position;
- (g) in relation to the DP's proposal that, if an entity does not sell particular goods or services separately, it should estimate the stand-alone selling price of those goods or services to allocate the transaction price (and thus revenue) between its performance obligations, consideration should be given to assuming that each of those goods or services is sold for cost plus the same margin;
- (h) it is a concern that a preliminary view is not presented in the DP on whether promotional promises (sales incentives, such as discount vouchers) and rights of return are performance obligations, because these are important issues in practice;
- (i) more guidance is needed on how to disaggregate the performance obligations in a contract with a customer;

- (j) consideration should be given to whether the analysis in Example 7 in Appendix A to the DP (dealing with a non-refundable upfront payment) is appropriate; and
- (k) an important aspect of the Board's Roundtables on the IASB DP will be to obtain input on how its proposals will affect revenue recognition practices in different industries.