



Subject: Minutes of the 107th meeting of the AASB
Venue: Ken Spencer Room, AASB offices
Level 7, 600 Bourke St, Melbourne
Time(s): Monday 17 May 2010 from 9.00 a.m. to 3.15 p.m.

All agenda items except item 5 were discussed in public.

Attendance

Members Kevin Stevenson (Chairman)
 Glenn Appleyard
 Victor Clarke (via telephone)
 Sue Highland
 Mark Jenkin
 John O'Grady
 Frank Palmer
 Kris Peach
 Joanna Perry
 Bruce Porter
 Brett Rix
 Robert Williams

Apologies Ian McPhee

Staff Ahmad Hamidi (in part)
 Robert Keys
 Lisa Panetta (in part)
 Joanna Spencer
 Angus Thomson

Staff from the NZ FRSB dialled into the meeting for Agenda item 4

Apologies, Agenda, Minutes, Matters Arising from Minutes 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.

The Chairman noted that Mr Appleyard has been contracted to assist in the drafting of the Bases for Conclusions of the GAAP/GFS harmonisation for entities within the GGS project, to leverage staff resources and benefit from the same type of work he completed for AASB 1049.

Minutes

The Board confirmed the minutes of the one hundredth and sixth meeting held on 28-29 April 2010.

Chairman's Report

Agenda Item 2

The Chairman:

- (a) provided Board members with an overview of the IFRS Regional Policy Forum held in Singapore on 12-13 May 2010;
- (b) informed Board members that he presented a workshop to the Malaysian Accounting Standards Board at the Companies Commission in Malaysia on 14 May 2010 on IASB Exposure Draft Financial Instruments: Amortised Cost and Impairment;
- (c) attended a presentation made by representatives of the IMF and various merchant banks regarding Islamic financing and noted that the concern regarding impairment of a variable interest rate loan is shared;
- (d) commented that there is a need to enhance communications with constituents regarding the expected output from the IASB;
- (e) informed Board members that AASB staff are aiming to obtain more data from the Australian Banking Industry regarding the manner in which impairment models work in practice.

Other Business

Agenda Item 3

The Board had before it:

- (a) a memorandum from Robert Keys dated 7 May 2010 (Agenda paper 3.1);
- (b) a draft revised AASB Work Program (prepared May 2010) (Agenda paper 3.2);
- (c) a letter to Stephenie Fox, Technical Director, IPSASB from Kevin Stevenson, AASB Chairman dated 7 April 2010 re IPSASB Consultation Paper *Reporting on the Long-Term Sustainability of Public Finances* (Agenda paper 3.3);
- (d) a letter to Adrian Chippindale, Office of Best Practice Regulation, Department of Finance and Deregulation from Kevin Stevenson, AASB Chairman dated 6 May 2010 re: draft Best Practice Regulation Handbook – April 2010 (Agenda paper 3.4); and
- (e) a letter to David Tweedie, IASB Chairman from Kevin Stevenson, AASB Chairman dated 7 May 2010 re IASB's Project on Joint Ventures (Agenda paper 3.5).

The Board noted the agenda papers. In relation to its Work Program, the Board decided that:

- (a) item 16 'Heritage assets' in Table 2 'non-active projects (subject to resources)' should remain in the table for as long as the IPSASB continues to include heritage assets on its work program;

- (b) the revised Work Program, as reflected in Agenda paper 3.2, should be posted on the website as soon as practicable after the Board meeting;
- (c) to enable constituents to readily appreciate the range of topics that are being considered, a summary of the Work Program should also be posted on the website, to highlight the large number of documents (whether Standards or Exposure Drafts) expected to be issued by the IASB in the short-term; and
- (d) to help the AASB better plan the work it might need to undertake in relation to public and private sector not-for-profit entities, future 'pipeline' documents (which list the expected timing for AASB deliberations on expected IASB/IPSASB consultative documents) should identify those IASB consultative documents that are expected to have not-for-profit specific aspects to them.

Differential Reporting

Agenda Item 4

The Boards had before it:

- (a) a memorandum from Ahmad-Hamidi and Lisa Panetta dated 11 May 2010 (Agenda paper 4.1);
- (b) collation of submissions on ED 192 *Revised Differential Reporting Framework* and related AASB Consultation Paper *Differential Financial Reporting – Reduced Disclosure Requirements* (Agenda paper 4.2);
- (c) submissions on ED 192 (Agenda paper 4.3);
- (d) draft Standard *Application of Different Tiers of Australian Accounting Standards* (Agenda paper 4.4);
- (e) draft Standard *Amendments to Australian Accounting Standards arising from the Reduced Disclosure Regime* (Agenda paper 4.5);
- (f) an issues paper – *Differential Reporting – Some Technical Issues Requiring Board Consideration* (Agenda paper 4.6); and
- (g) an issues paper – *Overview of application Issues* (Agenda paper 4.7).

The Board considered staff papers and a staff presentation on the outcomes of Roundtables on ED 192 (and related Consultation Paper) held on 5 and 7 May 2010 in Sydney and Melbourne respectively.

The Board tentatively decided that revisions to the differential reporting framework should be made in two stages. In the first stage, the Reduced Disclosure Regime (RDR) should be introduced as a second Tier of reporting requirements for preparing general purpose financial statements. The Board noted that the aim of this stage is to attend to the immediate reporting needs of entities that currently apply full IFRSs as adopted in Australia but find the disclosures under full IFRSs as adopted in Australia burdensome. In the second stage the other proposals of ED 192, including clarification of the meaning of general purpose financial statements and the change of application of AASB Standards from 'reporting entity' to 'general purpose financial statements', will be further considered.

As part of the first stage, the Board tentatively decided that:

- (a) the following entities would continue to be required to apply full IFRSs as adopted in Australia:
 - (i) for-profit private sector entities that have 'public accountability'; and
 - (ii) Federal, State, Territory and Local governments, including at the level of whole of government and the general government sector;

- (b) in preparing general purpose financial statements, the following entities could apply the RDR (or, if they choose, full IFRSs as adopted in Australia):
 - (i) for-profit private sector entities that do not have public accountability;
 - (ii) all not-for-profit private sector entities; and
 - (iii) public sector entities other than those in (a)(ii);
- (c) universities should not be required to apply full IFRSs as adopted in Australia;
- (d) the IASB's *IFRS for SMEs* is not a suitable set of requirements for a second tier of requirements for general purpose financial statements at this time;
- (e) under the first stage of revisions to the differential reporting framework, the reporting entity concept will continue to be used for differential reporting purposes;
- (f) a separate Application Standard will clarify the application of the two Tiers of requirements for general purpose financial statements;
- (g) the two tiers of requirements for general purpose financial statements should be referred to as 'Australian Accounting Standards' and 'Australian Accounting Standards – Reduced Disclosure Requirements'; and
- (h) any mandatory application of revisions to the differential reporting framework should be annual reporting periods beginning on or after 1 July 2013.

The Board also decided that, in preparation for the second stage of revisions to the differential reporting framework, further research should be carried out on the impact of the ED 192 proposals on those entities currently preparing special purpose financial statements;

The Board noted that most constituent comments support the view that the IASB's *IFRS for SMEs* is not a suitable set of requirements for Tier 2 entities in Australia in the current circumstances. However, the Board noted it will monitor developments regarding the *IFRS for SMEs* and will endeavour to help shape changes to the *IFRS for SMEs* in the interests of potentially making it more relevant to the needs of Australian preparers and users.

The Board directed staff to:

- (a) prepare issues papers on the following areas for consideration at the June 2010 meeting:
 - (i) guidance to help regulators in the public sector in identifying entities falling under each tier; and
 - (ii) constituent comments on the additional Australian guidance/examples of entities that have public accountability; and
- (b) analyse constituent comments relating to suggested exclusions from, or addition to, disclosure requirements under the Reduced Disclosure Regime, with input from the Differential Reporting Subcommittee.

Action:

Staff

Close of Meeting

The Chairman closed the meeting at 3.15 p.m. on Monday 17 May 2010.

Approval

Signed by the Chairman as a correct record
this ninth day of June 2010