



**Subject:** Minutes of the 98<sup>th</sup> meeting of the AASB

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

**Time(s):** Wednesday 20 May 2009 from 2.00 p.m. to 5.40 p.m.  
Thursday 21 May 2009 from 8.30 a.m. to 4.00 p.m.

All agenda items except items 1, 2 and 14 were discussed in public.

## Attendance

**Members**  
Bruce Porter (Acting Chairman)  
Glenn Appleyard  
Victor Clarke  
Sue Highland  
Mark Jenkin  
Ian McPhee (Day 1)  
John O'Grady  
Frank Palmer  
Kris Peach  
Joanna Perry  
Brett Rix  
Robert Williams

**Apologies**  
Ian McPhee (Day 2)

**In Attendance**  
Kevin Stevenson (Chairman designate) (Day 1)  
Tony Coleman (Member, IASB Insurance Working Party) (Agenda item 5, Day 2)

**Staff**  
Clark Anstis (in part)  
Dean Arden (in part)  
Natalie Batsakis (in part)  
Maybelle Chia (in part)  
Ahmad Hamidi (in part)  
Geoff Harris  
Robert Keys  
Chris Pang (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

### 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-seventh meeting held on 22 April 2009.

The Board noted that the second (c) under Agenda item 6 Borrowing Costs of the April 2009 minutes accurately reflects the April discussions and that staff had been contacted out-of-session and advised that one of the respondents to ED 176 *Proposed Amendments to Accounting Standards - Borrowing Costs of Not-for-Profit Public Sector Entities* regarded their submission as reflecting the views of not-for-profit private sector constituents, albeit obtained prior to the issue of ED 176. The Board decided that it was not necessary for it to amend its April 2009 decisions.

### Chairman's Report

Agenda Item 2

Members were advised:

- (a) that at a recent IASB Regional Standard Setters regional meeting in Kuala Lumpur:
  - (i) the IASB sought support from national standard setters for its approach to dealing with issues relating to accounting for financial instruments in response to the G20 recommendations; and
  - (ii) issues relating to Islamic finance were discussed and the Board agreed to seek a briefing on these issues at the joint AASB/FRSB meeting to be held on 28-29 October 2009;
- (b) of the importance of closely monitoring IASB developments in respect of financial instruments, including proposed exposure drafts and agreed:
  - (i) to cooperate with the New Zealand FRSB in monitoring developments; and
  - (ii) to form a sub-committee comprising Mr O'Grady, Mr Palmer and Mr Stevenson (Chairman designate) with the purpose of monitoring the IASB project and providing feedback to the IASB on a timely basis;
- (c) that matters raised at the FRC meeting included constituent concerns relating to executive remuneration, valuation of unlisted securities and the likely introduction of more regulation;
- (d) that completed Board assessment questionnaires should be returned to the FRC Secretariat; and
- (e) the Trans Tasman Accounting Standards and Auditing Group received a presentation on the SBR/XBRL project and noted concerns about the IASB taxonomy and assurance processes. Members noted that staff provided some limited assurance to the SBR project team in respect of aspects of the taxonomy.

Members discussed the operation of the Consultative Group meeting held on Wednesday 20 May 2009 and agreed:

- (a) to review membership of the Consultative Group (CG) and the basis on which members are appointed;
- (b) to seek feedback from CG members on its operation and suggestions for improvement; and
- (c) in respect of future meetings provide Consultative Group members with more questions to better focus the discussion and develop more specific questions to elicit views.

## Differential Reporting

Agenda item 3

The Board had before it:

- (a) a memorandum from Ahmad Hamidi dated 12 May 2009 (Agenda paper 3.1);
- (b) staff paper: IFRS for Private Entities: Implications for the Alternative Regime (Agenda paper 3.2);
- (c) staff paper: Comparison of IASB's Decisions on Redeliberating the ED of A Proposed IFRS for SMEs and the ED's Proposed Recognition, Measurement and Presentation Requirements (Agenda paper 3.3); and
- (d) staff paper: A Preliminary View of Changes to Disclosures Proposed in the ED of A Proposed IFRS for SMEs on Redeliberation by the IASB (Agenda paper 3.4).

The Board noted that the IFRS for SMEs is expected to be published by the IASB by the end of June 2009. A straw poll indicated that there is support among members for including the IFRS for SMEs in a revised differential reporting regime. Some members noted the Standard may be of limited use in Australia, particularly for wholly-owned subsidiary companies and not-for-profit public sector entities controlled by whole of governments because of the need to use full IFRS recognition and measurement requirements to produce information suitable to be consolidated with parents that apply full IFRSs.

The Board noted a possible ambiguity in the meaning of 'holding assets in a fiduciary capacity' referred to in the definition of a publicly accountable entity, in particular whether funds held by some fund managers might be consistent with this description.

The Board decided that issues papers on the following should be prepared for consideration at forthcoming Board meetings:

- (a) an analysis of various approaches to creating an alternative regime of reporting requirements (in addition to full IFRSs and the IFRS for SMEs) for application in preparing general purpose financial statements that involve full IFRS recognition and measurement requirements but reduced disclosures; and
- (b) in an Australian context, the meaning of 'holding assets in a fiduciary capacity' referred to in the IASB's definition of 'public accountability'.

Action:

Staff

## Income from Non-exchange Transactions

Agenda item 4

The Board had before it:

- (a) a memorandum from Clark Anstis dated 15 May 2009 (Agenda paper 4.1);
- (b) a draft Exposure Draft *Income from Non-exchange Transactions (Taxes and Transfers)*, marked up from the April 2009 version (Agenda paper 4.2); and
- (c) an extract from the draft NZ ED illustrating descriptions of the sources of paragraphs, alternative wording for IG Example 15A and for Basis for Conclusions paragraphs on financial assets and financial liabilities, and an extract from IAS 39 BC (paragraph BC104) (Agenda paper 4.3 – tabled).

The Board decided that:

- (a) the ED should be issued as a single, joint ED with the NZ FRSB, requiring references to both Australian and New Zealand Standards, the inclusion of some additional NZ material, and changes in presentation to distinguish Australian and NZ specific material; and
- (b) the source of each paragraph in the ED should be identified in a brief note following the paragraph, with the Table of Concordance retained to provide an overview of the relative contents of the ED and IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.

The Board's comments on specific items in the ED are shown in Attachment 1.

The Board approved the issue of the draft ED, revised for the above decisions and further editorial amendments, as ED 180 *Income from Non-exchange Transactions (Taxes and Transfers)*, subject to approval of the final version by both the Acting Chairman of the AASB and by the Chairman of the FRSB. The Board agreed with the FRSB to a five-month comment period from the date of issuing the ED.

The Board noted that the Board's work program includes a low-priority project to review AASB Interpretation 1038 and indicated that this should be carried out after submissions have been received on ED 180 and the outcome of the ED process has been determined.

Action:

Staff  
Acting Chairman

## IASB Insurance Project

Agenda item 5

The Board had before it:

- (a) a memorandum from Dean Ardern dated 12 May 2009 (Agenda paper 5.1); and
- (b) a copy of a PowerPoint presentation prepared by Tony Coleman, a member of the IASB's Insurance Working Group (Agenda paper 5.2).

Mr Coleman provided an overview of the IASB's progress to date, with a particular focus on the five candidate liability measurement approaches currently being considered by the IASB. A discussion of a number of key issues was conducted between Mr Coleman, Board members and staff.

The Board decided that it should monitor the IASB's insurance contracts project as it develops. In particular, the Board decided that it should consider at a forthcoming meeting making comments to the IASB about the measurement approach that it favours, rather than waiting for the IASB to release an Exposure Draft for comment. As part of the background information that the Board would consider, staff were asked to prepare a paper that compares the approaches in AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* with the five candidate approaches being considered by the IASB.

It was noted that staff would liaise with FRSB staff on this project.

Action: Staff

## Interpretations

Agenda Item 6

The Board had before it:

- (a) a memorandum from Joanna Spencer dated 12 May 2009 (Agenda paper 6.1);
- (b) a paper : Interpretation issues in progress (IFRIC and domestic topics as at 12 May 2009) (Agenda paper 6.2);
- (c) a memorandum from Joanna Spencer dated 12 May 2009 (Agenda paper 6.3); and
- (d) a copy of a letter from an Australian constituent to the IFRIC re stamp duty and business combinations (Agenda paper 6.4).

The Board:

- (a) asked staff to review the IFRIC's due process with a view to determining the status of statements made by the IFRIC and IFRIC staff in the *IFRIC Update* and the IFRIC meeting observer notes which are based on staff papers and report back to the Board at the July 2009 meeting; and
- (b) noted that an Australian constituent has written to the IFRIC seeking clarification on the treatment of stamp duties under IFRS 3/AASB 3 *Business Combinations*.

Action: Staff

## Revenue Recognition

Agenda item 7

The Board had before it:

- (a) a memorandum from Jim Paul and Maybelle Chia dated 18 May 2009 (Agenda paper 7.1);
- (b) a marked-up draft Submission on IASB-FASB Discussion Paper *Preliminary Views on Revenue Recognition in Contracts with Customers* (Agenda paper 7.2);
- (c) a Collation of Submissions on ITC 18 regarding the Revenue Recognition Discussion Paper (Agenda paper 7.3);
- (d) submissions on ITC 18 (Agenda paper 7.4); and
- (e) a summary of comments made at the AASB roundtables on the Revenue Recognition Discussion Paper (Agenda paper 7.5).

The Board noted that the revised draft submission is marked up from the version that was discussed at the April 2009 meeting in respect of decisions taken at that meeting, written comments received from constituents on ITC 18 and views expressed by constituents at the roundtables.

In discussing the revised draft submission the Board decided to:

- (a) in respect of question 1 relating to whether a single revenue recognition principle should be developed:

- (i) delete the reference to dividends in the examples of items that should be covered within the scope of the Discussion Paper but which are not covered, on the basis that it is not needed; and
  - (ii) comment that there may be merit in the IASB considering how its preliminary views on this topic impact with its views emerging on the insurance contracts project, including in relation to the gross or net recognition of assets and liabilities arising from contracts and the similarities between many insurance contracts and long-term non-insurance contracts such as some construction contracts;
- (b) in respect of question 3, add a note about the need to align the definition of 'contract' in this project and the definition in IAS 32 *Financial Instruments: Presentation*;
- (c) in respect of question 5 relating to the separation of performance obligations in a contract:
- (i) delete the references to not needing to separate the components of contracts when they are all expected to be satisfied within the period;
  - (ii) note that, even when components of contracts are satisfied at the same time, there may be a need to separate them in order to appropriately identify onerous components of a contract; and
  - (iii) highlight concerns about the impracticability of separating some types of contracts into their components and identify some relevant examples, such as in the telecommunications industry where a whole-of-customer approach is often taken;
- (d) in respect of question 6 in relation to return/refund obligations, note that the return obligation is effectively a 'put option' that needs to have revenue allocated to it under the model in the Discussion Paper, and that the IASB needs to give consideration to whether the preliminary views are consistent with the relevant proposals in ED/2009/3 *Derecognition: Proposed amendments to IAS 39 and IFRS 7* (that is, consistency around the notion of the transfer of control);
- (e) in respect of question 7 relating to sales incentives:
- (i) make it clear that the second comment paragraph supports the message in the first comment paragraph;
  - (ii) clarify the second comment paragraph by noting the view that, under the model in the Discussion Paper, it should be clarified that when a future discount etc. is part of a contract, contract revenue should be allocated to the future discount component of the contract; but when it is a general offer that's not part of a contract, contract revenue should not be allocated to it; and
  - (iii) delete the third comment paragraph because it goes beyond the scope of the question;
- (f) in respect of question 8 relating to transfer of an asset and customer control:
- (i) comment that the distinction between the rights a customer acquires when signing a contract and the control of the relevant goods or services needs to be better articulated;
  - (ii) suggest other models for the IASB to consider that are not dependent on the distinction between goods and services or the physical delivery of goods or payment, but instead are more focused on the work performed and which remain consistent with the transfer of control notion. These would include:
    - (A) a case where the entity has performed work in creating or acquiring the promised good and would recognise revenue when it becomes unconditionally entitled to be compensated for the work performed if the customer were to break the contract, even if the customer has no right to the work in progress (in which case, revenue could conceivably be zero); or

- (B) a case where the entity has performed work in creating or acquiring the promised good and rights to the work transfer to the customer as that work is performed; and
- (iii) under the subheading 'Related and other concerns', note the potential for divergent treatments of similar transactions to arise because of the emphasis in the Discussion Paper model on the distinction between goods and services, which can be difficult to make, combined with the emphasis on the delivery of goods, which seems likely to unduly delay revenue recognition in some cases. However, if the IASB decides to proceed with making the distinction between goods and services, comment that there would be a need for more guidance on making that distinction;
- (iv) the IASB should consider, if longer-term construction contracts are not treated as 'service contracts', the value progressively created under such contracts could be treated as income in a manner consistent with IAS 41 *Agriculture*;
- (g) relocate and suitably modify some of the text currently included in response to question 10(c) to the response to question 9 in relation to contracts for which the proposal to recognise revenue only when a performance obligation is satisfied may not provide decision-useful information;
- (h) in respect of question 10(a) relating to initial measurement at transaction price, agree that day-one gains should not be recognised, while day-one losses should be recognised;
- (i) in respect of question 10(c) relating to performance obligations for which the proposed measurement approach might not provide decision-useful information, delete the last sentence of the third last paragraph, and suggest that manufacturers' and dealers' warranties be treated as insurance contracts, or at least in a similar manner to insurance contracts in order that they are re-measured to provide decision-useful information; and
- (j) in respect of question 11 relating to the allocation of the transaction price at contract inception, and particularly question 11(b), comment that:
  - (i) confining the recognition of assets in respect of the costs of originating contracts to those that would qualify for asset recognition in accordance with other standards seems too restrictive and suggest that the IASB consider other approaches such as:
    - (A) costs incurred in pursuit of a contract would be recognised immediately as expenses (unless they meet asset recognition requirements of other standards), and costs incurred in establishing a contract that are directly attributable to the contract would be recognised as assets, consistent with the treatment of loan origination costs under IAS 39 *Financial Instruments: Recognition and Measurement*; and
    - (B) costs that satisfy a performance obligation would be recognised as assets; and
  - (ii) there is a need to address the deficiencies in respect of asset recognition under IAS 38 *Intangible Assets*.

The Board noted that there would be substantial changes to the submission letter as a consequence of the decisions set out above. The Board also specifically decided that paragraph (f) in the letter should be changed to refer to "...financial services transactions which are significant in the economy." to avoid reference to any particular industry, and that reference should be made to concerns expressed above in relation to issues raised on question 11(b).

The Board decided that its submission letter and specific comments on the questions in the IASB's Discussion Paper, based on the decisions set out above, should be finalised by staff out of session in consultation with the Acting Chairman, Mr O'Grady and Mr Rix.



Action:

Staff  
Acting Chairman  
Mr O'Grady  
Mr Rix

## Policies and Processes

Agenda item 8

The Board had before it:

- (a) a memorandum from Geoff Harris dated 5 May 2009 (Agenda paper 8.1); and
- (b) draft *Statement of AASB Policies and Processes* (Agenda paper 8.2).

The Board decided to:

- (a) include a definition of Australian Accounting Standards in the document;
- (b) explain the due process including the types of documents issued and the reasons why consultative documents are given different descriptions such as 'Invitation to Comment', 'Exposure Draft', 'Consultation Paper';
- (c) explain how the Board deals with submissions and other input received from constituents;
- (d) explain why the Board issues Amending Standards and the purpose of AASB 1048 *Interpretation and Application of Standards*;
- (e) explain the roles of Implementation and Application Guidance and Bases for Conclusions to Standards;
- (f) explain the voting process for making Accounting Standards, approving Accounting Interpretations and the issue of consultative documents;
- (g) outline meeting procedures including conduct of meetings, items dealt with in public session and timing and location of meetings; and

Members agreed to consider a revised draft at the June 2009 meeting and that the Acting Chairman highlight the development of the Statement with the FRC.

In addition, the Board discussed the policy on responding to Exposure Drafts issued by the IASB and IPSASB. The Board agreed that, in respect of IPSASB Exposure Drafts, and particularly those associated with its IASB convergence program, staff make recommendations about whether the Board should make a submission, rather than presuming that a Board submission would be made.

Action:

Staff  
Acting Chairman

## First-time Adoption of Australian Accounting Standards

Agenda item 9

The Board had before it:

- (a) a memorandum from Clark Anstis and Maybelle Chia dated 12 May 2009 (Agenda paper 9.1);
- (b) a draft reformatted Standard AASB 1 *First-time Adoption of Australian Accounting Standards* (Agenda paper 9.2); and



- (c) the Table of Concordance from the reformatted IFRS 1 *First-time Adoption of International Financial Reporting Standards* (November 2008) (Agenda paper 9.3).

The Board decided that:

- (a) the Standard should refer to “Australian Accounting Standards” rather than “Australian equivalents to International Financial Reporting Standards”, with a footnote to paragraph 1(b) – the first reference in the body of the Standard to Australian Accounting Standards – to note that the term refers to the AASB Standards applying on or after 1 January 2005, to distinguish them from the previous series of Standards;
- (b) the proposed references in paragraph 3(a) of the draft Standard to both Australian Accounting Standards and International Financial Reporting Standards (IFRSs) are appropriate, since entities might be formally applying Australian Accounting Standards after becoming a reporting entity or after redomiciling from another jurisdiction in which IFRSs might already be in use;
- (c) paragraph Aus3.2 in respect of information deficiencies facing not-for-profit public sector entities should be retained, although it is expected to have very little application in the future;
- (d) paragraph 35 should be amended to identify AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* as the source of the amendments referred to in that paragraph, and each of paragraphs 35-39 should refer to the amendments having been made to paragraphs of the previous version of AASB 1 that correspond with the stated paragraphs of this new version of AASB 1, to be factually accurate; and
- (e) the Implementation Guidance accompanying but not part of IFRS 1 should not be published with the AASB Standard in this case, noting that the Standard would have limited application in the future and the Guidance would be available via the AASB’s website to internet users in Australia.

The Board made Accounting Standard AASB 1 *First-time Adoption of Australian Accounting Standards* on the basis of the draft Standard amended for the above decisions and approval by the Acting Chairman of the final version. The Standard will apply to annual reporting periods beginning on or after 1 July 2009, with early application permitted. The Board also decided that the Acting Chairman should write to the IASB to raise the problems identified with the effective date/transition paragraphs 35-39.

Action:

Staff  
Acting Chairman

## Corrections to Standards

Agenda item 10

The Board discussed the nature of the corrections required to Australian Accounting Standards and the documentation supporting those corrections. Staff explained that the corrections are either:

- (a) directly based on IASB corrections to IFRSs since the last corrections Standard had been issued by the AASB in 2007; or
- (b) other corrections needed to Australian Standards.

As an example of the latter, staff mentioned that the draft amending Standard would include proposed amendment of paragraph Aus12.2 in Interpretation 2 *Members’ Shares in Co-operative Entities and Similar Instruments* for puttable financial instruments, which had not been amended when other such amendments were made to the Interpretation in March 2008 in accordance with the IASB’s amendments.

The Board decided that:

- (a) details should be provided in agenda papers of the corrections included in the draft amending Standard that are not sourced directly from IASB corrections; and
- (b) members do not require the source documents for IASB corrections, given that staff are proposing to provide a list of the IASB documents from which the corrections are drawn.

The Board requested staff to prepare the agenda papers for consideration at the next meeting of the Board.

Action: Staff

## Annual Improvements

Agenda item 11

The Board had before it:

- (a) a memorandum from Geoff Harris dated 12 May 2009 (Agenda paper 11.1);
- (b) draft Proposed AASB 2009-Y *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* (Agenda Paper 11.2); and
- (c) draft Proposed AASB 2009-X *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* (Agenda Paper 11.3).

The Board considered AASB 2009-Y and noted that a constituent raised a concern about the potential impact of including an additional example on whether an entity is acting as a principal or as an agent in the Appendix to AASB 118 *Revenue* on the treatment of administered items by not-for-profit entities in the public sector. The Board concluded that the additional example is unlikely to give rise to difficulties because:

- (a) whether an entity is acting as a principal or as an agent depends on the facts and circumstances in each case and the principles apply irrespective of the exchange/non-exchange nature of the transaction or the type of entity involved;
- (b) only exchange transactions are within the scope of AASB 118 and administered items are not typically exchange transactions; and
- (c) in the ordinary course of events entities falling within the scope of AASB 1050 *Administered Items* would be expected to apply the requirements of AASB 1050 because it would more specifically address those entities' circumstances than the general Standard, namely AASB 118.

The Board made AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* which is applicable to annual reporting periods beginning on or after 1 July 2009 and 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* which is applicable to annual reporting periods beginning on or after 1 January 2010, subject to the final editing process.

Action: Staff  
Acting Chairman

## Financial Instruments

Agenda item 12

The Board had before it:

- (a) a memorandum from Natalie Batsakis dated 12 May 2009 (Agenda paper 12.1); and

- (b) IASB Press Release: Timetable for IAS 39 replacement (Agenda paper 12.2).

The Board noted the IASB's intention to accelerate changes to IAS 39 *Financial Instruments: Recognition and Measurement*. The Board requested that staff provide papers regarding the discussions and preliminary decisions made by the IASB in respect of the proposed changes to IAS 39 at its next meeting, to facilitate the Board's understanding of the issues and to enable timely feedback to be provided to the IASB.

The Board decided it would hold a consultation session with representatives of the ASIC, the APRA and the Australian Bankers' Association at its next meeting, to consider their views about the following topics:

- the different requirements for prudential reporting versus general purpose financial reporting;
- impairment and the possible use of expected value/dynamic provisioning models; and
- financial instrument classification, particularly the possible removal of the available for sale category.

Action: Staff

## Other Business

Agenda item 13

The Board had before it:

- (a) the AASB 'pipeline document' (Agenda paper 13.1);
- (b) a memorandum from Angus Thomson and Maybelle Chia dated 5 May 2009 re Standard Business Reporting (Agenda paper 13.2.1);
- (c) a report on an SBR/XBRL meeting (Agenda paper 13.2.2);
- (d) AASB submission to the IASB on IASB/FASB Discussion Paper *Presentation of Financial Statements* (Agenda paper 13.3);
- (e) AASB submission to the IPSASB on ED 35 *Borrowing Costs* (Agenda Paper 13.4);
- (f) Report of National Standard Setters meeting (April 2009) (Agenda paper 13.5);
- (g) copy of letter from National Standard Setters to IASB dated 22 April 2009 and reply dated 24 April 2009 (Agenda papers 13.5.1 and 13.5.2);
- (h) *FRSB Alert* (29 April 2009) (Agenda paper 13.6);
- (i) a letter from Bruce Porter, Acting Chairman, dated 29 April 2009, to Don Challen, Secretary, Heads of Treasuries re ED 174 Illustrative Example (Agenda paper 13.7);
- (j) Report of Roundtables on *Presentation of Financial Statements* (Agenda paper 13.8); and
- (k) copies of the ACRUF and CRUF submissions to the IASB on *Presentation of Financial Statements* (Agenda papers 13.8.1 and 13.8.2).

The Board noted the correspondence, the status of the SBR/XBRL project and requested a briefing on developments in the project particularly in relation to the approach taken in the IASB Taxonomy and the level of assurance required.

Action: Staff

## Review

Agenda item 14

The Board indicated:

- (a) that in respect of Amending Standards coming before the Board more explanation as to why the amendments are necessary should be provided to the Board; and
- (b) the amount of time spent dealing with Amending Standards at Board meetings may not be a good use of Board time and asked staff to outline the process to the Board at a future meeting.

## **Close of Meeting**

The Chairman closed the meeting at 4.00 p.m. on Thursday 21 May 2009.

## **Approval**

Signed by the Acting Chairman as a correct record  
this twenty-fourth day of June 2009

## ATTACHMENT 1

### Income from Non-exchange Transactions

Agenda item 4

The Board decided in respect of the ED that:

- (a) in relation to financial assets and financial liabilities:
  - (i) they should be measured in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* at fair value adjusted for transaction costs, except that all 'day 1' gains and losses (not just those that AASB 139 would require to be recognised immediately) should be recognised as part of any initial non-exchange income amount, with this proviso noted in the Basis for Conclusions;
  - (ii) the proposed additional Example 15A in the Implementation Guidance should be included in the ED, with the financial liability being recognised at fair value (for illustrative purposes, the example ignores transaction costs);
  - (iii) paragraph BC15, which compares the recognition of financial liabilities under the proposals in the draft ED and under AASB 139, should be deleted; and
  - (iv) the proposed consequential amendment to add a paragraph to AASB 139 in respect of the recognition of financial assets and financial liabilities arising under non-exchange transactions in accordance with the [resulting] Standard on non-exchange transactions should be proposed to be placed after paragraph 14 of AASB 139, as paragraph Aus14.1;
- (b) the description of an asset in paragraph 31 of the ED did not need to refer to the definition in AASB 138 *Intangible Assets*;
- (c) paragraph 44 should refer to the acquisition of assets within the scope of the Standards listed by not-for-profit entities, and paragraph 84 should be worded consistently with paragraph 44;
- (d) paragraph 66(a) should refer to the earning of taxable income, not assessable income, as the likely taxable event in relation to income tax;
- (e) Example 20 in the Implementation Guidance should be deleted as it appears to be inconsistent with Example 19 and the proposals in the ED;
- (f) paragraph BC6 concerning the Boards' decision not to propose extending the scope of AASB 120 / NZ IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* is supported, with part (c) to note that the IASB had indicated an intention to review IAS 20;
- (g) the Basis for Conclusions paragraph on the proposed transitional provisions should be expanded to clarify the intent of the proposed prospective application from the start of the earliest comparative period presented;
- (h) the consequential amendments proposed to Aus paragraphs for not-for-profit entities in AASB 102 *Inventories*, AASB 116 *Property, Plant and Equipment*, AASB 138 *Intangible Assets* and AASB 140 *Investment Property* should refer to assets acquired through a non-exchange transaction being recognised and initially measured in accordance with the [resulting] Standard on non-exchange transactions, rather than specifying the measurement basis directly; and
- (i) in relation to the Preface to the ED:
  - (i) a joint Australian/New Zealand question should be added to solicit views on whether there are any differences between the two jurisdictions that would override the Boards' desire for converged Standards for non-exchange transactions;

- (ii) the question concerning whether further guidance is needed in relation to parliamentary appropriations and local government rates should be presented as a joint Australian/New Zealand question, referring to distinguishing exchange and non-exchange transactions or components, and with the deletion of the reference to appropriations;
- (iii) the request for constituent views on the retention of requirements for restructures of administrative arrangements and on whether recognition requirements are needed for contributions from owners and distributions to owners should be separated; and
- (iv) constituent views should be requested concerning the role of AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* if a Standard based on the ED were issued.