



Subject: Minutes of the 113th meeting of the AASB
Venue: Ken Spencer Room, AASB offices
Level 7, 600 Bourke St, Melbourne
Time(s): Wednesday 8 December 2010 from 9.30 a.m. to 5:15 p.m.
Thursday 9 December 2010 from 9.00 a.m. to 2.30 p.m.

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

Attendance

Members	Kevin Stevenson (Chairman) Glenn Appleyard Victor Clarke Sue Highland Mark Jenkin Ian McPhee (Day 2) Kris Peach Joanna Perry Bruce Porter Brett Rix Robert Williams
Apologies	John O'Grady Frank Palmer Ian McPhee (Day 1)
In Attendance Staff	Clark Anstis (in part) Dean Arden (in part) Maybelle Chia (in part) Mischa Ginns Ahmad Hamidi (in part) Robert Keys Christina Ng (in part) Latif Oylan (in part) Jim Paul (in part) Siva Sivanantham (in part)
Other	Bryan Howieson (Associate Professor, The University of Adelaide) (Agenda item 3 only) Ashley Rockman (Partner, PwC) (Agenda item 6 only) Tim Youngberry (IPSASB member) (Day 2)

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. No such matters arose in this meeting.

Minutes

The Board approved the minutes of the one hundred and the twelfth meeting held on 27-28 October 2010.

Agenda Item 2

Chairman's Report

The Chairman provided Board members with an update on:

- (a) the most recent FRC meeting, including:
 - (i) FRC's discussion of the Department of Finance and Deregulation's and the AASB's papers on the adoption of International Public Sector Accounting Standards (IPSASs) for the public sector in Australia (see confidential agenda papers 5.4 and 5.5);
 - (ii) the FRC's work program; and
 - (iii) the FRC's request that the AASB Chair write to the IASB about the RDR as to why it should have standing in the IFRS family of requirements;
- (b) NSS, AOSSG and TTASAG recent developments and activities;
- (c) the progress of the research performed on Phase 2 of the RDR project;
- (d) the presentation he gave to the AUASB at the last AUASB meeting, on recent international accounting developments, and confirmed that Merran Kelsall (AUASB Chair) will give a presentation to the AASB on recent audit developments at the February 2011 AASB meeting (subsequently this presentation has had to be deferred);
- (e) requests from the professional bodies for representatives of the AASB to speak at upcoming conferences. The Chairman advised Board members that staff would be contacting members out of session with a view to determining members who would be willing and able to present at the conferences;
- (f) the three new Board members appointed to the Board effective from 1 January 2011; and
- (g) staff restructuring effective from 1 January 2011;

In relation to paragraph (a) (iii) above, the Board decided the Chairman should write to the IASB informing it of:

- (a) the reasons for the AASB developing the RDR; and
- (b) the AASB's willingness to provide the IASB with feedback on its future progress with the RDR given the common criteria between RDR and *IFRS for SMEs* in relation to disclosures.

Action:	Staff
	Chairman

Control in the Not-for-profit (NFP) Public and Private Sectors

Agenda item 3

The Board had before it:

- (a) a memorandum from the project team dated 24 November 2010 (Agenda paper 3.1); and
- (b) a draft revised project plan – Control in the public and not-for-profit sectors (Agenda paper 3.2).

The Board noted that the IASB expects to issue IFRS 10 *Consolidated Financial Statements* (together with IFRS 11 *Joint Arrangements* [including consequential amendments to IAS 28 *Investments in Associates*] and IFRS 12 *Disclosure of Involvements with Other Entities*) in the first quarter of 2011, with an expected effective date of 1 January 2013 (with early adoption allowed). IFRS 10 will replace the consolidation requirements in IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation – Special Purpose Entities*. The IASB's work on Investment Companies is being progressed separately, with an Exposure Draft expected mid-2011.

The Board decided to issue AASB 10 (incorporating IFRS 10) as soon as possible after IFRS 10 is issued, but with early adoption by NFP entities not permitted until the Board has addressed relevant NFP sector issues. The Board noted that it would be unlikely that NFP sector entities would need to early adopt IFRS 10 in any event.

The Board considered the approach it would take to modifying IFRS 10 to address NFP sector issues. In particular, the Board considered a revised draft of the AASB/FRSB Joint Project Plan, comprising a number of phases. The Board decided the Plan should reflect its aspiration to issue a Standard by December 2011 (which would represent the substantial completion of Phase 2 of the project) after assessing the extent to which the new requirements might change current NFP entity practices and following a full due process that addresses as many potential application issues identified in Phase 1 as possible and appropriate. The Board noted that this timeframe would provide entities with sufficient time to prepare for adopting any new requirements before the expected effective date.

The Board also noted that:

- (a) its ability to meet the timeframe would depend on the number and nature of the issues to be addressed and the manner in which the Board decides to address them; and
- (b) it is conceivable that some issues might lead the Board to consider whether some of the principles in IFRS 10 are suitably expressed in a NFP sector context. In that regard, the Board decided that, as the project progresses, it would consider whether there are any issues with solutions that might conflict with the principles in IFRS 10 and whether those issues should be resolved in Phase 2 or deferred to a later phase.

The Board agreed with the draft AASB communications plan included in the revised draft project plan, noting that the project would benefit from more direct engagement with HoTARAC in relation to adapting IFRS 10 to a NFP public sector context. In relation to universities, the Board decided that the body representing Australian university finance officers should also be consulted.

Action:

Project team

Trans-Tasman Convergence

Agenda Item 4

The Board had before it:

- (a) a memorandum from Angus Thomson and Maybelle Chia dated 17 November 2010 (Agenda paper 4.1);
- (b) a draft of the minutes for the October 2010 AASB/FRSB joint meeting (Agenda paper 4.2);
- (c) an issues paper *Further Consideration of Unresolved Issues and Sweep Issues* (Agenda paper 4.3);
- (d) Draft AASB 2011-X *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* (Agenda paper 4.4);
- (e) Draft AASB 10XX *Australian Additional Disclosures* (Agenda paper 4.5); and
- (f) an illustration of audit fee disclosures accompanying the issues paper (tabled agenda paper).

The Boards considered the issues in Agenda paper 4.3 and:

- (a) on the issue of the location of additional disclosures (Issue 1 of Agenda paper 4.3), subject to the strength of the FRSB's preference, decided to locate the additional disclosures in an AASB Additional Disclosure Standard rather than locate them in topic-based standards;
- (b) on the issue of audit fee disclosures (Issue 2 of Agenda paper 4.3), decided to incorporate the notion of 'network firm' in the disclosures without definition or explanatory materials, noting that the term 'network firm' should be well understood by preparers and auditors and there is a reference to the Accounting and Professional Ethical Standards Board in the draft Basis for Conclusions in paragraph BC 6 of AASB 10XX *Australian Additional Disclosures*. The Board decided to amend the wording of the draft disclosure requirements to require the following two types of disclosures:

- (i) fees to each auditor, including any network firm, for the audit and review of the financial statements; and
 - (ii) fees to each auditor, including any network firm, for all other services performed during the reporting period;
- (c) the Board noted that in some circumstances (e.g. companies limited by guarantee), some might interpret the audit fee disclosures as not including audit fees paid to reviewers that are not auditors. Accordingly, the Board requested staff to consider further whether a reference to auditor is sufficient to include reviewer and to amend the disclosures to apply to 'auditors or reviewers' if appropriate. The Board also decided to amend draft paragraph BC 7 of AASB 10XX *Australian Additional Disclosures* to clarify that the disclosures include fees paid by the parent and its subsidiaries for each of the parent and its subsidiaries;
- (d) on the issue of reconciliation of operating cash flows to profit/loss (Issue 3 of Agenda paper 4.3), the Board agreed with the draft harmonised wording of the disclosure requirement and the related Basis for Conclusions;
- (e) on the issue of the 'true and fair override' (Issue 4 of Agenda paper 4.3):
 - (i) the Board discussed the potential implications of introducing the override in the Australian environment and decided to introduce it only for the sake of literal IFRS compliance for for-profit entities not covered by the Corporations Law;
 - (ii) the Chairman expressed his disagreement with the introduction of the override, even if only for the limited circumstances of for-profit entities that are not companies. The Chairman noted that the override paragraphs in IAS 1 *Presentation of Financial Statements* are of a commentary nature and it was not the intention of the IASB to oblige jurisdictions to expand the availability of an option to depart from standards to different entities within a jurisdiction. He also thought the restriction on not-for-profit entities (see (iii)) demonstrated that the Board could preclude the override for for-profit non-corporates;
 - (iii) the Board noted that the draft paragraph Aus19.1 of AASB 101 *Presentation of Financial Statements*, which would prohibit not-for-profit entities from accessing the override, has a wider application than the New Zealand Financial Reporting Act 1993, which does not apply to all public benefit entities, and decided to amend the draft Basis for Conclusions to reflect that fact;
 - (iv) in relation to draft paragraph Aus19.1 of AASB 101, the Board decided not to provide a cross-reference to paragraph 23 of AASB 101 in the Aus paragraph and to instead refer to it in the Basis for Conclusions; and
 - (v) in relation to the draft footnote to paragraphs 19-22 of AASB 101, the Board decided to change the reference from 'true and fair override' to 'departure from applicable Australian Accounting Standards';
- (f) on the issue of the transition regarding the deletion of paragraph Aus7.1 of Interpretation 113 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* (Issue 5 of Agenda paper 4.3), the

Board agreed with the draft wording of the applicable reference and the related Basis for Conclusions;

- (g) on the issue of individual key management personnel disclosures (Issue 6 of Agenda paper 4.3), the Board received a brief verbal summary of the topics that will be discussed at the 10 December 2010 Corporations and Markets Advisory Committee (CAMAC) roundtable. The Board noted that, in the case where Remuneration Reports prepared under *Corporations Act 2001* will possibly utilise a different measurement basis from Australian Accounting Standards, this may give rise to issues for the audit of the reports and the need for reconciliation between the figures. The Board requested AASB staff attending the CAMAC roundtable inform CAMAC that the AASB has decided to remove the individual key management personnel disclosures from AASB 124 *Related Party Disclosures* in the interest of harmonising with the IASB and the FRSB; and
- (h) on the issue of reduced disclosure requirements (Issue 7 of Agenda paper 4.3), the Board decided to require Tier 2 entities to only make the disclosures required by AASB 10XX *Australian Additional Disclosures* that are currently required under the Reduced Disclosure Requirements. Accordingly, Tier 2 entities will be exempted from disclosing audit fees, imputation credits and the reconciliation of operating cash flow to profit(loss) in AASB 10XX *Australian Additional Disclosures*.

The Board then proceeded to consider the draft amending Standard (Agenda paper 4.4) and draft Additional Disclosure Standard (Agenda paper 4.5). The Board decided to amend page 6 in the Preface of AASB 10XX *Australian Additional Disclosures* to refer to the standards that will be issued in New Zealand in conjunction with the standards that will be issued in Australia, at the conclusion of Phase 1 of the project. In line with its proposal in the Exposure Drafts, the Board decided to allow individual early adoption for the amendments in the draft Amending Standard and the disclosure requirements in the draft Additional Disclosure Standard, with the requirement that, if an entity early adopts an amendment in the draft Amending Standard, it must early adopt the related disclosure requirement in the draft Additional Disclosure Standard, if any. The Board also requested staff to prepare an Amending Standard that applies to Tier 2 entities, which will be approved out of session, at the same time as the draft Amending Standard and the draft Additional Disclosure Standard in early 2011.

Action:

Staff

IPSASB report

Agenda item 5

The Board had before it:

- (a) a memorandum from Clark Anstis dated 30 November 2010 (Agenda paper 5.1);
- (b) IFAC's *IPSASB Meeting Highlights*, November 2010 (Agenda paper 5.2);
- (c) a report on the IPSASB Meeting (Agenda paper 5.3);

- (d) Department of Finance and Deregulation paper, *Issues with the Adoption of International Public Sector Accounting Standards (IPSAS) for the public sector in Australia*, November 2010 (Agenda paper 5.4 – CONFIDENTIAL); and
- (e) *AASB Views on Adoption of IPSASB Standards* – response to the DFD paper (Agenda paper 5.5 – CONFIDENTIAL).

The Board received an update on the 1 – 4 November 2010 meeting of the International Public Sector Accounting Standards Board (IPSASB) from Tim Youngberry, the Australian member of IPSASB, and Clark Anstis. They highlighted various aspects of the report on the IPSASB meeting, including the following:

- (a) the IPSASB continued its discussion of potential changes to its governance arrangements and intends to publish a Consultation Paper in 2011;
- (b) the IPSASB has continued to give priority to its conceptual framework project:
 - (i) the following consultative documents were approved and are expected to be published in December, with comments due by 30 June 2011:
 - (A) Exposure Draft on phase 1 – role and authority of the Framework, scope of general purpose financial reporting, objectives and users, qualitative characteristics and reporting entity;
 - (B) Consultation Paper on phase 2 – elements and recognition; and
 - (C) Consultation Paper on phase 3 – measurement of assets and liabilities; and
 - (ii) issues concerning presentation and disclosure (phase 4) were discussed with a view to developing a Consultation Paper for publication during 2011;
- (c) the review of the submissions received on its Exposure Draft ED 43 *Service Concession Arrangements: Grantor* (February 2010) commenced;
- (d) several key issues concerning reporting on the long-term sustainability of public finances were considered, with the IPSASB deciding that the ultimate objective of the project is to develop non-mandatory guidelines;
- (e) the principal terms used in service performance reporting in a range of jurisdictions were discussed, with IPSASB members supporting some simplified definitions;
- (f) a revised and expanded project brief was approved in relation to entity combinations;
- (g) the IMF–IPSASB Joint Task Force Report on five case studies of government accounting for interventions arising from the global financial crisis noted the non-consolidation of temporarily controlled entities. The report will not be published as the terms of reference had specified confidentiality for participating jurisdictions; and
- (h) the third edition of IPSASB Study 14 *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities* was approved for publication.

No decisions were made by the Board in relation to these matters. The next meeting of the IPSASB is in March 2011.

The Board noted the papers on the potential for adoption of IPSASB Standards at some stage in the future, which were agenda papers considered at the December FRC meeting. The Board is of the view that its IFRS based approach to dealing with public sector specific topics is preferable to separate streams of requirements and separate Frameworks. Nevertheless, it is committed to assisting IPSASB in whichever ways possible as it believes that a single global set of standards should be its aspiration.

Hedge accounting

Agenda item 6

The Board had before it:

- (a) a memorandum from Christina Ng dated 24 November 2010 on hedge accounting (Agenda paper 6.1);
- (b) staff proposed Financial Instruments project timeline (Agenda paper 6.2); and
- (c) presentation slides relating to IASB's tentative general hedge accounting proposals (Agenda paper 6.3).

The Board received an education session from Ashley Rockman (Partner, PwC) on the IASB's tentative proposals on the general hedge accounting model and discussed the impact of the tentative proposals on various types of hedging activities, without making any decisions at this stage.

The Board noted that the IASB was due to publish an exposure draft on its general hedge accounting model by mid-December 2010, [which was subsequently published on 10 December 2010]. The Board will consider key issues and comments on the ED at its February 2011 meeting.

Superannuation plans and approved deposit funds

Agenda item 7

The Board had before it:

- (a) a memorandum from Dean Arden dated 23 November 2010 (Agenda paper 7.1);
- (b) an issues paper discussing industry feedback on the proposed format of financial statements under a replacement Standard for AAS 25 *Financial Reporting by Superannuation Plans* (Agenda paper 7.2);
- (c) an issues paper discussing:
 - (i) the potential implications of a superannuation plan or approved deposit fund applying the principles and requirements in AASB 8 *Operating Segments* to provide disaggregated disclosures;
 - (ii) how the principles and requirements in AASB 8 might be applied to a plan or fund under a replacement Standard for AAS 25 *Financial Reporting by Superannuation Plans*; and
 - (iii) the types of disaggregated financial disclosures that a plan might provide under a revised set of segregated financial disclosure proposals (Agenda paper 7.3); and

- (d) an issues paper discussing proposed transition arrangements and application date for the replacement Standard for AAS 25 *Financial Reporting by Superannuation Plans* (Agenda paper 7.4).

The Board considered the matter of the RDR addressed in Agenda paper 7.1 and tentatively decided that the revised ED for the replacement Standard for AAS 25 should:

- (a) not include a supplement setting out proposed Tier 2 disclosure requirements under the replacement Standard for AAS 25; and
- (b) ask constituents whether there are any superannuation plans or approved deposit funds (ADF) that would meet the criteria in AASB 1053 *Application of the Tiers of Australian Accounting Standards* for applying Tier 2 reporting requirements.

The Board considered the matters addressed in Agenda paper 7.2 and noted that:

- (a) consistent with the approach under Australian Accounting Standards, ED 179 *Superannuation Plans and Approved Deposit Funds* proposes that the requirements in the replacement Standard for AAS 25 apply to the financial statements of a plan or ADF when information resulting from their application is material in accordance with AASB 1031 *Materiality*; and
- (b) entities that lodge their financial statements with ASIC are required to provide a complete set of financial statements, even when one or more of the statements comprise no elements.

The Board tentatively decided to include a comment in the Basis for Conclusions to the replacement Standard for AAS 25 that a plan or ADF would apply AASB 1031 in deciding whether it is necessary to present a statement of changes in equity.

The Board considered the matters addressed in Agenda paper 7.3 and tentatively decided that the revised ED for the replacement Standard for AAS 25 should propose that a plan or ADF provide disaggregated financial disclosures in accordance with the principles and requirements in AASB 8 *Operating Segments*, except where it is appropriate to modify the requirements for application in a superannuation context. The proposed exceptions include that a plan or ADF would:

- (a) disclose separately information about a segment that meets any of the quantitative thresholds in paragraph 13 of AASB 8 or has liabilities that are 10% or more of the total liabilities of all segments;
- (b) identify additional segments [even if they do not meet the quantitative thresholds in (a) above] until at least 75% of the entity's revenues, expenses, assets or liabilities are included in reportable segments;
- (c) not be required to apply the second sentence of paragraph 16 or paragraphs 23, 24, 28 and 31-34 of AASB 8;
- (d) provide disaggregated disclosures consistent with the information regularly reviewed by the entity's chief operating decision maker to manage the entity (which may or may not include the types of information described in paragraphs 23 and 24 of AASB 8); and

- (e) provide reconciliations of the disaggregated disclosures with corresponding amounts at the entity level (which may or may not include the types of information described in paragraphs 28 of AASB 8).

The Board also tentatively decided that the replacement Standard for AAS 25 should clarify that, in a superannuation context, the term 'production process' in paragraph 12 of AASB 8 should be interpreted to mean the manner in which a plan or ADF develops and/or administers the benefit arrangements it provides to its members.

The Board considered the matters addressed in Agenda paper 7.4 and tentatively decided that the revised ED for the replacement Standard for AAS 25 should propose a two-year transition period from the date the replacement Standard is made, with early adoption permitted. The Board also confirmed its previous tentative decision that the replacement Standard should be applied retrospectively.

The Board decided that a sub-committee comprising Mr Appleyard, Mr Clarke and Ms Peach should review the draft revised version of ED 179 prior to final deliberation by the Board and a four-month exposure period.

Action:	Staff
	Sub-committee

Income from Non-Exchange Transactions

Agenda item 8

The Board had before it:

- (a) a memorandum from Jim Paul dated 24 November 2010 (Agenda paper 8.1);
- (b) a staff paper entitled '*Advance Receipts' Liabilities – Redeliberation of Proposals in AASB ED 180/FRSB ED 118*' (Agenda paper 8.2); and
- (c) a staff paper entitled '*Income from Non-Exchange Transactions – Categories of Obligations*' (Agenda paper 8.3).

The Board continued its re-deliberations of proposals in AASB ED 180/FRSB ED 118 *Income from Non-exchange Transactions (Taxes and Transfers)* for identifying liabilities of not-for-profit entities (NFPs) arising as recipients of assets in non-exchange transactions.

The Board considered the ED's proposed treatment of 'advance receipts' (resources received prior to a taxable event occurring or a transfer arrangement becoming binding), having regard to the submissions received on that ED. The Board:

- (a) confirmed its decision that 'advance receipts' give rise to liabilities, but only if a future sacrifice of economic benefits is required if the specified future event (the taxable event occurring or the arrangement becoming binding) does not occur. In this regard, the Board decided:

- (i) the nature of such a liability is an unconditional obligation to stand ready to return transferred assets if the expected taxable event does not occur or the transfer arrangement does not become binding; and
 - (ii) that treating advance receipts as liabilities is consistent with the Board's tentative decision that designating a transfer as relating to a particular time period does not of itself give rise to a liability;
- (b) decided that the working definition of 'advance receipts' should be the definition of that term in AASB ED 180/FRSB ED 118; and
- (c) decided to consider at a future meeting whether the meaning of 'binding' in 'binding arrangement' should be clarified.

The Board deferred deciding whether to distinguish advance receipts from other return obligations until it redeliberates the measurement and disclosure proposals in AASB ED 180/FRSB ED 118. That decision will influence the Board's future decision on whether the meaning of 'binding' in 'binding arrangement' should be clarified.

The Board noted that, until assumed amounts are included in the examples in Agenda Paper 8.3, it is difficult to make decisions about the staff's analysis in that paper. The Board also noted that those examples raise issues regarding distinctions between obligations that depend on the Board's future decision on whether advance receipts should be distinguished from other return obligations. Agenda Paper 8.3 was prepared for illustrative purposes only, and will be extended to include illustrations of measurement issues for consideration at a future meeting.

Action:

Staff

IFRS Foundation Trustees Strategic Review and IFRS Interpretations Committee Review questionnaire

Agenda item 9

The Board had before it:

- (a) a memorandum from Angus Thomson dated 24 November 2010 (Agenda paper 9.1);
- (b) an issues paper containing AASB staff suggestions for responding to the questions that are most pertinent to the AASB as a standard setter (Agenda paper 9.2);
- (c) IFRS Foundation's Paper for public consultation *Status of Trustees' Strategy Review* (Agenda paper 9.3);
- (d) IFRS Interpretations Committee Review questionnaire (Agenda paper 9.4); and
- (e) Canadian Accounting Standards Board letter to IFRS Foundation trustees dated 17 November 2010 (Agenda paper 9.5).

IFRS Foundation Trustees Strategic Review

The Board considered its response to the questions, in the IFRS Foundation's Paper for Public Consultation *Status of Trustees' Strategy Review*, that are particularly relevant to its role as a standard setter. The Board noted the Paper is open for comment to the IFRS Foundation until 24 February 2011 and also noted that the FRC would be making a submission. It is expected that the FRC and AASB submissions would complement each other. The Board decided that, given the nature of the review, it is not necessary for it to issue consultative documents to ascertain the views of AASB constituents.

The Board decided that its submission should include comments along the lines of those suggested by AASB staff in agenda paper 9.2, and:

- (a) that it is appropriate for the Board to continue to encourage the IFRS Foundation to take a more holistic perspective to standard setting, for example, by broadening the reading of the phrase 'world's capital markets' to include markets for government debt and by aspiring to a single conceptual framework for both the for-profit and NFP sectors;
- (b) that the best contribution Accounting Standards can make to financial stability is to produce high quality Standards that facilitate high quality reporting. Accounting Standards should not be regarded as a fiscal policy lever, and to treat them as such would require a fundamental rewrite of the conceptual framework. Financial stability is the role of other regulators;
- (c) emphasise the challenges being faced by jurisdictions transitioning to IFRS and that, although acknowledging that the Trustees are committed to convergence between the IASB and US in the short-term, the focus should now become the promotion of favourable conditions for those transitioning. However, this should not be at the expense of the quality of standards. For example, there is a need for a period of stability in the suite of Standards as jurisdictions come to grips with adoption, and longer comment periods for commenting on proposals should be provided to help ensure proposals are thoroughly debated and tested. The AASB noted that the objectives of IASB/US convergence and assisting transitioning countries are not unrelated and unless the issues facing those transitioning is given due regard, there could be a risk to the convergence objective;
- (d) note the adverse consequences of politicising the Accounting Standard setting process; and
- (e) note the need for the Foundation to improve its communication of how decisions are made – to address the concerns that standards have become too complex.

The Board decided that its submission to the IFRS Foundation will be finalised and approved by the Chairman. It was noted that the AASB is also leading the AOSSG working group on this issue.

Action:

Staff

Chairman

IFRS Interpretations Committee Review Questionnaire

The Board decided that:

- (a) in addition to completing the IFRS Interpretations Committee Review questionnaire it would write to the IFRS Foundation saying that, in addition to the AASB staff suggestions in the dot points at the top of page 2 of agenda paper 9.1, although the existing process seems to be functioning reasonably well:
 - (i) the Board is concerned about the consistency of the basis used for determining which topics are added to the IFRS Interpretations Committee's agenda and which topics are rejected; and
 - (ii) the role of the IFRS Interpretations Committee in reviewing proposed improvements to IFRSs and making recommendations to the IASB as part of the Annual Improvements project is its most effective role; and
- (b) the IFRS Interpretations Committee Review questionnaire and letter will be finalised and approved by the Chairman.

Action:

Staff

Chairman

IPSASB Conceptual Framework

Agenda item 10

The Board had before it:

- (a) a memorandum from Jim Paul and Joanne Scott dated 3 December 2010 entitled *IPSASB Conceptual Framework ED and Consultation Papers* (Agenda paper 10.1);
- (b) a memorandum from Joanne Scott dated 24 November 2010 entitled *IPSASB Conceptual Framework Consultation Paper – Phase 2 Elements and Recognition* (Agenda paper 10.2); and
- (c) a copy of PowerPoint slides spoken to by staff in their presentation on developments in the IPSASB's Conceptual Framework project (Agenda paper 10.3 [tabled]).

The Board also referred to Agenda paper 11.4 (see Item 11), which includes an overview of the IPSASB's Objectives and Qualitative Characteristics chapters in its imminent ED on Phase 1 of its Conceptual Framework project.

The Board received an education session on the principles expected to be proposed in the IPSASB's imminent ED on Phase 1 of its Conceptual Framework project and its imminent Consultation Papers (CPs) on 'Elements and Recognition' and 'Measurement of Assets and Liabilities in Financial Statements'. No decisions were made.

Comments made by members during the session include:

- (a) it is important to discriminate between information within the scope of financial reporting and information that belongs in other forms of reporting. For example, reporting prospective non-

financial information, as the draft IPSASB Phase 1 ED proposes, could involve reporting such matters as workforce planning. Many would regard workforce planning as belonging outside the scope of financial reporting, despite acknowledging that the scope of financial reporting will vary over time;

- (b) staff should identify whether the IPSASB proposes a definition of general purpose financial reports, for the Board's information in developing a submission on the Phase 1 ED;
- (c) the primary users identified in the draft IPSASB Phase 1 ED are very broad;
- (d) the IPSASB's proposed factors likely to signal the existence of dependent users in respect of a public sector entity seem to identify all public sector entities as having dependent users;
- (e) regard should be given to the distinction made between participatory and protective rights by the IASB in its imminent Standard on Consolidation when assessing the IPSASB's proposed criteria for including an entity within a group reporting entity;
- (f) the IPSASB's proposed criteria for defining the boundaries of a group reporting entity should be taken into account in the AASB-FRSB project on control in the not-for-profit public and private sectors; and
- (g) the comments regarding a mixed measurement model in the draft IPSASB CP on 'Measurement of Assets and Liabilities in Financial Statements' do not belong in a Conceptual Framework.

In relation to the 'revenue and expense-led approach' discussed in the IPSASB CP on 'Elements and Recognition', the Board directed staff to:

- (a) develop arguments to refute aspects of that approach with which the AASB and FRSB disagree. For example, without basing revenue recognition on changes in economic phenomena that can be observed from time to time (assets and liabilities), revenues might be arbitrarily determined;
- (b) identify which aspects of that approach could be re-expressed consistently with an 'asset and liability-led approach', for the purposes of:
 - (i) finding common ground between the approaches and thereby helping reduce resistance to an 'asset and liability-led approach'. For example, some 'deferred inflows' under a 'revenue and expense-led approach' might qualify as 'advance receipt' obligations or performance obligations under an 'asset and liability-led approach';
 - (ii) identifying the essential differences between the approaches and thereby facilitating more targeted comments in the AASB's and FRSB's submissions on the CP; and
 - (iii) finding common ground on public sector-specific issues such as 'social benefit obligations', which may provide a better understanding of both the 'asset and liability-led approach' and the 'revenue and expense-led approach'. For example, the focus on 'intergenerational equity' in the 'revenue and expense-led approach' is not on 'matching' in the sense in which a 'matching' notion has been used in the private sector; and

- (c) confirm whether the USA Federal Accounting Standards Advisory Board adopts an asset and liability-led approach, or a revenue and expense-led approach, in its pronouncements, and identify its reasons for adopting that approach.

Action:

Staff

AASB Conceptual Framework

Agenda item 11

The Board had before it:

- (a) a memorandum from Jim Paul dated 3 December 2010 entitled *Conceptual Framework – Objective and Qualitative Characteristics: Further Sweep Issues* (Agenda paper 11.1);
- (b) a staff paper in relation to the third pre-ballot draft of a revised AASB Conceptual Framework, entitled *Sweep Issues Session: issues raised with second pre-ballot draft* (Agenda paper 11.2);
- (c) a staff paper on the status of SAC 1 *Definition of the Reporting Entity* (Agenda paper 11.3);
- (d) a staff paper entitled *Conceptual Framework – Objective and Qualitative Characteristics: IPSASB Developments* (Agenda paper 11.4); and
- (e) a third pre-ballot draft of a revised AASB Conceptual Framework (Agenda paper 11.5).

The Board discussed the third pre-ballot draft of a revised AASB Conceptual Framework incorporating the two new chapters of the IASB Conceptual Framework dealing with the 'Objective of General Purpose Financial Reporting' and the 'Qualitative Characteristics of Useful Financial Information'. The Board decided:

- (a) to issue as soon as possible a revised AASB Framework applicable to for-profit entities that is identical to the revised IASB Framework;
- (b) the revised AASB Framework for for-profit entities should be applicable to reporting periods ending on or after its date of approval by the Board, with early application permitted;
- (c) to retain Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* with its current status, given the references to 'reporting entity' in the application paragraphs of Australian Accounting Standards;
- (d) to, for the time being, retain the existing text of the AASB Framework (including its 'Aus' paragraphs) for application by not-for-profit entities;
- (e) to, in due course, develop material for not-for-profit entities for incorporation into the revised AASB Conceptual Framework that is:
 - (i) based on the revised IASB Framework; and
 - (ii) expressed in a sector-neutral manner, thus providing a Framework that effectively covers the for-profit and not-for-profit sectors (while continuing the Board's approach of adopting IASB wording verbatim for application to for-profit entities); and
- (f) in developing the not-for-profit entity material referred to in (e) above, the Board would consider in detail the IPSASB's Conceptual Framework Consultation Papers and Exposure Draft expected to be issued in December 2010.

The Board made the following decisions about the revised AASB Framework that will be applicable to for-profit entities:

- (a) where the Foreword refers to the use of the definition of 'reporting entity' in AASB 1053 *Application of Tiers of Australian Accounting Standards*, reference should also be made to SAC 1;
- (b) paragraph 1.4 of the Application section should state that SAC 2 *Objective of General Purpose Financial Reporting* is superseded in respect of for-profit entities when the existing AASB Framework is superseded;
- (c) the Introduction should be conformed to the wording of the revised IASB Framework. Accordingly:
 - (i) the text preceding the 'Purpose and status' section, which was omitted from the existing AASB Framework, should be reinstated;
 - (ii) reference in paragraph 2 to the status of the AASB Framework in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* should be omitted;
 - (iii) additional paragraph 5(b), which refers to the revised Framework including the concept of a reporting entity, should be omitted;
 - (iv) the AASB's Basis for Conclusions should explain that the Introduction is being conformed to the Introduction to the IASB Framework issued in 1989 and carried forward in the revised IASB Framework, which predates:
 - (A) the creation, in IAS 8, of the hierarchy of sources (including the Conceptual Framework) to consider in the absence of a Standard or Interpretation on point;
 - (B) the narrowing of 'primary users' (in the Objective chapter) from the users referred to in the Introduction; and
 - (C) the forthcoming addition of a chapter on The Reporting Entity;
 - (v) the AASB's Basis for Conclusions should note that the change in sub-paragraph (i) above involves including IASB Framework 'Introduction' text omitted from the existing AASB Framework, and that the Introduction will need to be reviewed in due course by the IASB to address aspects such as those noted in (A) – (C) in sub-paragraph (iv) above; and
 - (vi) the Chairman should write to the IASB advising that the Introduction to the IASB Framework needs to be reviewed promptly to address the aspects noted in (A) – (C) in sub-paragraph (iv) above;
- (d) in addition to reflecting the decisions in paragraph (c) immediately above, the draft of the AASB's Basis for Conclusions should also be amended to reflect all of the other decisions above; and
- (e) consequential amendments should be made to Australian Accounting Standards (either directly, or through references in an amended AASB 1048 *Interpretation of Standards*) to update their cross-references to the 'Framework' from the existing Framework to the revised Framework. Staff should develop the appropriate wording to effect this decision.

The Board will vote out of session on a ballot draft of its revised Conceptual Framework that incorporates the amendments decided at this Board meeting.

The Board directed staff to prepare a further-developed version of Agenda Paper 11.4, regarding wording of a revised Framework for not-for-profit entities, for consideration at a future meeting.

Action:	Staff
	Members (vote on ballot draft)
	Chairman (write to IASB)

Effective Dates and Transition Methods

Agenda Item 12

The Board had before it:

- (a) a memorandum from Angus Thomson and Latif Oylan dated 18 November 2010 (Agenda paper 12.1);
- (b) Issues Paper – IASB Request for Views on Effective Dates and Transition Methods (Agenda paper 12.2); and
- (c) ITC 24 *Request for Comment on IASB Request for Views on Effective Dates and Transition Methods* (Agenda paper 12.3).

The Board considered issues to be included in its submission on the IASB's *Request for Views on Effective Dates and Transition Methods* (open for comment to the IASB until 31 January 2011) – which is the subject of AASB ITC 24, open for comment to the AASB until 31 December 2010.

In the absence of any submissions received on ITC 24 to date, the Board decided to express a view that, assuming all the projects that are the subject of the Request for Views are completed by June 2011, they should all have a common effective date of 1 January 2014, to give preparers sufficient time to prepare for adoption. Early adoption should be allowed on an individual IFRS basis, unless different IFRSs give rise to cross-cutting issues. Cross-cutting issues could mean that certain IFRSs should not be adopted before other IFRSs (e.g. the revised IFRS on leases should not be adopted before the revised IFRS on revenue, and the IFRS on insurance should not be adopted before IFRS 9).

Action:	Staff
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IMF Review of GFS

Agenda Item 13

The Board had before it:

- (a) a memorandum from Robert Keys and Latif Oylan dated 24 November 2010 (Agenda paper 13.1);
- (b) IMF Draft Outline of Update of *GFSM 2001*: Issues Emerging from 2008 SNA and corrections, or clarifications of *GFSM 2001* (dated November 2010) (Agenda paper 13.2); and
- (c) list of AASB staff suggestions for clarifying GFS arising out of the post-implementation review of AASB 1049 (Agenda paper 13.3).

The Board noted the IMF is undertaking a review of the *Government Finance Statistics Manual 2001 (GFSM 2001)* and that the Australian Bureau of Statistics (ABS) is coordinating an Australian response. The Board also noted that the primary purpose of the review is to converge *GFSM 2001* with the *2008 System of National Accounts*, and therefore there is likely to be only a limited opportunity to advance the cause of GAAP/GFS harmonisation.

Within the constraints of the Board's higher priorities, the Board directed staff to monitor and respond to the ABS on any consultation papers issued by the ABS in relation to the review. The Board also formed a sub-committee comprising Mr. Appleyard, Mr. Jenkin and Mr. Williams to provide the AASB staff with direction in relation to any substantive issues that may arise during the review.

Action:	Staff
	Sub-committee

RDR – Australia and New Zealand Convergence

Agenda Item 14

The Board had before it:

- (a) a memorandum from Ahmad Hamidi dated 24 November 2010 (Agenda paper 14.1);
- (b) minutes of previous joint meetings on differential reporting (Agenda paper 14.2); and
- (c) a draft ASRB letter (Agenda paper 14.3 - CONFIDENTIAL).

The Board considered a draft letter received from the Chairman of the NZ ASRB setting out tentative decisions, made in conjunction with the NZ FRSB, for convergence of Tier 2 general purpose financial reporting requirements applicable to for-profit entities in Australia and New Zealand. The Board noted that the FRSB is expected to issue a consultation paper in the first quarter of 2011 seeking comments from its constituents on a proposal to converge with the Australian RDR.

The Board noted that:

- (a) the RDR convergence would be limited to the for-profit sectors of the two countries. In Australia, the RDR is transaction neutral and can be applied by eligible entities in all sectors;
- (b) a common approach to the RDR should not affect the independence of the two Boards. While every effort needs to be made for a joint decision on RDR related issues, the Boards' failure to agree on certain issues and making independent decisions based on jurisdiction-specific circumstances should not be translated into a 'veto' right for either Board; and
- (c) the RDR is now a working regime in Australia and there is a need to continue to provide Tier 2 disclosure requirements in a timely manner as new or revised Standards are issued.

The Board also noted that it regards RDR convergence as a significant step in implementing the Outcome Proposals for developing cross-border economic initiatives relating to a Joint Statement of Intent signed by the Prime Ministers of Australia and NZ in August 2009.

The Board welcomed the New Zealand tentative decisions and decided to inform the ASRB that a common approach to determining Tier 2 requirements for for-profit entities is consistent with the AASB's current mode of operation and its objectives.

Action: Chairman

Other Business

Agenda item 15

The Board had before it:

- (a) a Report of the Financial Reporting Panel *BBX Property Investment Fund Ltd* (Agenda paper 15.1);
- (b) a Report of the Financial Reporting Panel *Sino Strategic International Ltd* (Agenda paper 15.2);
- (c) a Report of the Financial Reporting Panel *ING Real Estate Entertainment Fund* (Agenda paper 15.3);
- (d) a Report of the Financial Reporting Panel *Oaks Hotel and Resorts Ltd* (Agenda paper 15.4);
- (e) a memorandum from Robert Keys dated 24/11/10 re AASB Work Program (Agenda paper 15.5);
- (f) AASB work program (November 2010) (Agenda paper 15.5A);
- (g) a summary of AASB work program (November 2010) (Agenda paper 15.5B);
- (h) a 'Pipeline' document re IASB/IPSASB documents open-for-comment – current and expected – as at 22/11/10 (Agenda paper 15.5C);
- (i) a submission from Joint Accounting Bodies to AASB on D1/2010/1 *Stripping Costs in the Production Stage of a Surface Mine* (Agenda paper 15.6);
- (j) the AASB submission to IASB on ED/2010/11 *Deferred Tax: Recovery of Underlying Assets (Proposed Amendments to IAS 12)* (Agenda paper 15.7);
- (k) a letter from Ian Ewing, Deputy Australian Statistician, Australian Bureau of Statistics to Kevin Stevenson, AASB Chairman dated 15 October 2010 & response from AASB dated 3 November 2010 regarding GAAP/GFS Harmonisation (Agenda paper 15.8);
- (l) submissions to the AASB on ED198 *Revenue from Contracts with Customers* (Submissions 9-10) (Agenda paper 15.9);
- (m) a letter from Fiona Reynolds, CEO, Australian Institute of Superannuation Trustees to Dean Ardern dated 18 November 2010 & AASB response dated 10 November 2010 regarding ED 179 *Superannuation Plans & Approved Deposit Funds* (Agenda paper 15.10);
- (n) a letter from Kevin Stevenson, AASB Chairman to Peter Gibson, Assistant Secretary, Department of Finance and Deregulation dated 22 November 2010 on Revaluation of assets with a make good provision (Agenda paper 15.11);
- (o) an e-mail from Luisa Ryan to Robert Keys, Deputy Technical Director dated 8 November 2010 regarding Review and update of Government Finance Statistics (Agenda paper 15.12);

- (p) the AASB submission to the IASB on ED/2010/6 *Revenue from Contracts with Customers* (Agenda paper 15.13);
- (q) submissions to the AASB on ED 204 *Deferred Tax Recovery of Underlying Assets* (Submissions 1-2) (Agenda paper 15.14);
- (r) submissions to the AASB on ED 202 *Leases* (Submissions 1-13) (Agenda paper 15.15);
- (s) the AASB submission to Trustees of IFRS Foundation on IFRS Foundation Consultation Document *The annual improvements process: Proposals to amend the Due Process Handbook for the IASB* (Agenda paper 15.16);
- (t) the AASB's response to the IASB's ED/2010/8 *Insurance Contracts* (Agenda paper 15.17);
- (u) submissions to the AASB ED 201 *Insurance Contracts* (Submissions 1-10) (Agenda paper 15.17A);
- (v) a summary of the AASB Roundtable Discussion on the Proposals in the IASB's Exposure Draft ED/2010/8 *Insurance Contracts* (Agenda paper 15.17B);
- (w) the AASB submission to IFRS Interpretations Committee on DI/2010/1 *Stripping Costs in the Production Stage of a Surface Mine* (Agenda paper 15.18);
- (x) a memorandum from Mischa Ginns dated 24 November 2010 re Interpretations Update (Agenda paper 15.19);
- (y) Interpretations - Issues in progress (24 November 2010) (Agenda paper 15.19.1);
- (z) November 2010 *IFRIC Update* (Agenda paper 15.19.2); and
- (aa) IFRS Advisory Council Meeting Notes, November 2010 (Agenda paper 15.20 - CONFIDENTIAL);

The Board noted the agenda papers.

In relation to the Reports of the Financial Reporting Panel (FRP)(Agenda papers 15.1 – 15.4), the Board decided that AASB staff should monitor future FRP reports and, if necessary, the Board will correspond with the IASB on any accounting issues that may transpire from any matters referred to the FRP. In addition, the Chairman should write to the FRP acknowledging the recent FRP Reports and the implications they might have for interpreting Accounting Standards and encouraging the FRP to consider expressing its reports in such a way that they are based on specific facts and circumstances rather than more broadly.

Action:	Staff
	Chairman

In relation to the Work Program (Agenda papers 15.5 – 15.5B), the Board decided that, in the interest of communicating on a timely basis with constituents, staff should post revised Work Programs on the AASB website as soon as possible after the IASB has revised its Work Program, rather than wait until the Board has reviewed it in-session. The revised Work Program should continue to be included in the Other Business section of the agenda papers at future meetings, at which the Board might direct staff to amend the posted Work Program.

The Board also noted staff's progress on developing an Exposure Draft relating GAAP/GFS harmonisation for entities within the GGS, and the imminent distribution of a pre-ballot draft for consideration of Board

members out of session. In light of the forthcoming Christmas/New Year break, and therefore the unavailability of many Board members, the Board directed staff to provide an extended review period– but no later than the time that would be necessary to bring any sweep issues for resolution at the next Board meeting.

Furthermore, the Board noted that the IASB had recently issued an IFRS Practice Statement *Management Commentary*, a broad, non-binding framework for the presentation of narrative reporting to accompany financial statements prepared in accordance with IFRSs. The Board will consider options for the approval of the Practice Statement and its application in Australia at its February 2011 meeting.

Close of Meeting

The Chairman closed the meeting at 2.30 p.m. on Thursday 9 December 2010.

Approval

Signed by the Chairman as a correct record
this ninth day of February 2011.