



Project:	Other Business – Public	Meeting:	September 2019 (M172)
Topic:	Cover Memo	Agenda Item:	28.0
Contact(s):	Helena Simkova hsimkova@asb.gov.au 03 9617 7642	Project Priority:	n/a
		Decision-Making:	n/a
		Project Status:	n/a

Objective of this paper

- 1 The objective of this paper is to inform the Board about matters under Other Business – Public. No action is required from the Board on these matters except for item 28.4.5 below that requires feedback from Board. Please refer to table below for details.

OTHER BUSINESS – SUBMISSIONS

Paper No.	Title	Staff comment	Board action
28.1.1	None for the period		

OTHER BUSINESS – CORRESPONDENCE

Paper No.	Title	Staff comment	Board action
28.2.1	Letter from Mr John Harvey dated 6 June 2019, regarding AASB 13 <i>Fair Value Measurement</i>	The letter expresses concerns regarding the Board’s tentative decision made at the April 2019 Board meeting to propose a modification to AASB 13 to specify that, when non-financial assets of a NFP public sector entity are held for their service capacity and not primarily for their ability to generate net cash inflows, the cost approach in AASB 13 should be used to determine their fair value.	Included for noting only. No action required at this meeting. Staff will consider comments in the letter as part of the Fair Value Measurement for Public Sector Entities project.

OTHER BUSINESS – IASB and IFRS IC UPDATES

Paper No.	Title	Staff comment	Board action
28.3.1	IFRIC Update – June 2019	<p>Staff do not consider there are any matters to raise with the IFRS Interpretations Committee in relation to their decisions in their June meeting.</p> <p>The committee tentatively decided not to add the following topics to its standard-setting agenda:</p> <ul style="list-style-type: none"> • Fair value hedge of foreign currency risk on non-financial assets (IFRS 9 Financial Instruments) • Compensation for Delays or Cancellations (IFRS 15 Revenue from Contracts with Customers) • Lessee’s incremental borrowing rate (IFRS 16 Leases) • Lease term and useful life of leasehold improvements (IFRS 16 Leases and IAS 16 Property, Plant and Equipment) 	Included for noting only. No action required at this meeting.

Paper No.	Title	Staff comment	Board action
		<ul style="list-style-type: none"> • Presentation of liabilities or assets related to uncertain tax treatments (IAS 1 Presentation of Financial statements) • Disclosure of changes in liabilities arising from financing activities (IAS 7 Statement of Cash Flows) <p>Subsequent expenditure on biological assets (IAS 41 Agriculture)</p>	
28.3.2	CPA submission to IFRIC seeking clarity on lease incentives	We were informed that CPA Australia made a submission to IFRIC seeking clarification on lease incentives under IFRS16 <i>Leases</i> . IASB staff concluded that this submission is not to be taken for discussion at the Interpretations Committee as one issue is addressed in the Appendix A to IFRS 16 and second issue was being addressed in the annual improvement (ED published in May).	Included for noting only. No action required at this meeting.
28.3.3	IASB Update August 2019	Staff do not consider there are any matters to raise with the IASB in relation to their decisions in their August meeting.	Included for noting only. No action required at this meeting.
28.3.4	IASB and joint IASB-FASB Update July 2019	<p>Staff would like to highlight the following decisions related to upcoming consultation documents to be issued:</p> <ul style="list-style-type: none"> • The IASB decided that the consultation document for GW and Impairment project should be a discussion paper. • The IASB decided that the consultation document for the Rate-regulated Activities project should be an exposure draft (ED). 	Included for noting only. No action required at this meeting.
28.3.5	IASB Update June 2019	Staff do not consider there are any matters to raise with the IASB in relation to their decisions in their June meeting.	Included for noting only. No action required at this meeting.

OTHER BUSINESS – ARTICLES AND NEWS

Paper No.	Title	Staff comment	Board action
28.4.1	Financial Review article <i>Accounting giants face two new inquiries</i>	<p>The article talks about concerns over the Defence department' awarding a contract to EY in the same week as the Senate voted to examine the firm's hiring of former defence minister Christopher Pyne.</p> <p>The article also mentions the inquiry focused on the privatisation of key programs and consultancy contracts and inquiry into competition and conflicts of interest in the big four auditing firms and the performance of regulators.</p>	Included for noting only. No action required at this meeting.
28.4.2	Financial Review article <i>Murray bucks APRA super push</i>	<p>The article talks about AMP chairman David Murray expressing dismay on a key recommendation of Graeme Samuel's APRA capability review, which suggested that APRA is given a mandate to focus on the investment outcomes of super funds and to ensure that trustees prudently manage member funds.</p> <p>According to the article Mr Murray says that the lack of stringent reporting standards in superannuation returns will make APRA's task of comparing the returns of different super funds extremely difficult.</p>	Included for noting only. No action required at this meeting.
28.4.3	Michael West article <i>Who guards the Guards? Big Four prepare for war as beach-side senator brings corporate inquiry.</i>	<p>The article is about senator O'Neill proposing Parliamentary Inquiry of Big Four audit firms. The article mentions the poor quality of audit, avoidance of tax and high consultancy fees charged by Big Four for services provided to government, specifically Department of Defence. The author also suggests there is a conflict of interest as the Big Four senior partners have connections in government and press.</p>	Included for noting only. No action required at this meeting.

Paper No.	Title	Staff comment	Board action
28.4.4	<p>ACCA and Deloitte: <i>The capitalisation debate: R&D expenditure, disclosure content and quantity, and stakeholder views</i></p>	<p>This report examines the extent to which companies using IFRS recognise development costs as assets (R&D) in different countries and different sectors. It also investigates the factors behind asset recognition.</p> <p>The study is based on analysis and interviews of auditors, investors and preparers.</p> <p>Key findings:</p> <ul style="list-style-type: none"> • 62.2% of the companies in the sample (20,475) do not capitalise any R&D; therefore, fully expense the costs (around 40% capitalise in Australia); • from the sample of 1,114 Australian companies approximately 22% expensed the R&D while they were expected to capitalise (unexpected expensers) and approximately 32% capitalised while they were expected to expense (unexpected capitalisers); • companies do not provide a high quantity of R&D-related disclosure; and • there is general support from stakeholders for capitalisation against a set of criteria. 	<p>Included for noting only. No action required at this meeting.</p>
28.4.5	<p>JD Supra news – FASB to propose delaying effective dates for 4 major standards</p>	<p>The article informs that FASB plans to issue an ED which proposes to delay the effective dates for certain companies for accounting for leases, credit losses, hedging and long-duration insurance contracts.</p> <p>The new effective dates would be:</p> <ul style="list-style-type: none"> • lease accounting – 1 Jan 2021 for prepares that are not public entities; • accounting for credit losses – 1 Jan 2023 for non SEC filers; 	<p>Is the Board aware of any feedback from FP private sector entities that are not publicly accountable and preparing GPFS, seeking deferral of any recent IASB Standards?</p>

Paper No.	Title	Staff comment	Board action
		<ul style="list-style-type: none"> • derivatives and hedging -1 Jan 2021 for entities that are not public business entities; • long-duration insurance contracts – 1 Jan 2024 for entities that are not public business entities and 1 Jan 2022 for public business entities. <p>FASB cited numerous reasons for delay including availability of prepares resources, time required to educate staff, opportunity to learn from implementation issues described in public company filings and challenges in the development of IT system solutions.</p>	
28.4.6	Civil Society article <i>Project launches to develop international financial reporting standards for charities</i>	<p>The article informs about Humentum and the Chartered Institute of Public Finance and Accountancy (CIPFA) launching five-year project to develop the first international financial reporting standards for the not-for-profit sector.</p> <p>The objectives of the project are to set a clear benchmark of what good financial reporting looks like, support harmonisation, provide a basis for comparison between charities and create a collaborative process involving charity stakeholders and standard setters from around the world.</p>	Included for noting only. No action required at this meeting. AASB Technical Director, Kala Kandiah, has been appointed to the Technical Advisory Group that would help develop the Standards.
28.4.7	Financial Review <i>The quiet rise of factoring</i>	<p>The article talks about factoring and reversed factoring which is used in the Australian market but it is impossible to ascertain by looking at a company's trade payables whether supply chain financing is being included unless the company tells you explicitly. According to the article Carillion used its supply chain as a bank but did not classify the transaction as bank borrowing and as such it was excluded from covenant tests.</p> <p>The article says that by choosing to report financing CF as operating CF, a company could make its cash conversion</p>	Included for noting only. No action required at this meeting.

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		appear better than it really is. Among few examples, it points out that Amcor disclosed factoring of receivables when filing to the SEC but no similar disclosure was made in the annual report submitted to the ASX.	

OTHER BUSINESS – Academic Research Update

Paper No.	Title	Staff comment	Board action
28.5.1	Academic Research Status Report	<p>The document provides an update on the academic research status. This report includes information on the status of recently completed, in progress and past research conducted by academics for AASB.</p> <p>Two academic research were recently completed and published on the AASB website. There are six research projects that are currently in progress and are at different stages of completion. Five academic research papers from the 2016 and 2017 AASB Research Forums were published in 2019 in Accounting and Finance [Australian Business Deans Council (ABDC) 'A' ranked journal].</p>	Included for noting only. No action required at this meeting.