



Issue: Number 117

Date: 28 August 2008

Subject: AASB Meeting 90, 27 August 2008

Superannuation Plans and Approved Deposit Funds (ADFs)

The Board considered a draft ED for a replacement Standard for AAS 25 *Financial Reporting by Superannuation Plans* and associated issues papers. The Board tentatively agreed that the ED should propose, among other things, that:

- (a) superannuation contributions, transfers and rollovers are not in the nature of revenues, and benefit payments are not in the nature of expenses, of a superannuation plan or ADF. Accordingly, the current presentation requirements in AAS 25 in relation to these items should not be retained;
- (b) a superannuation plan or ADF present:
 - (i) an income statement in accordance with AASB 101 *Presentation of Financial Statements* that presents separately income and expense items attributable to investment and other operating activities from changes in members' accrued benefits;
 - (ii) a statement of changes in members' accrued benefits;
 - (iii) a statement of financial position, a cash flows statement and, where relevant, a statement of changes in equity in accordance with applicable Australian Accounting Standards; and
 - (iv) notes in accordance with applicable Australian Accounting Standards, except where the disclosure principles specified in the ED apply instead.

In addition, the Board agreed the ED should propose that contributions and members' accrued benefits be presented gross of any applicable tax and that the amount of any tax be presented separately. The Board also agreed that example financial statements should be prepared for the Board's consideration;

- (c) a superannuation plan or ADF recognise assets and liabilities in accordance with other applicable Australian Accounting Standards, measured at fair value adjusted for estimated costs to sell, except that:
 - (i) a deferred tax asset or liability be measured in accordance with AASB 112 *Income Taxes*;
 - (ii) members' accrued benefits be recognised consistent with the draft ED, with defined benefit members' accrued benefits measured at present value using the Projected Unit Credit Method; and
 - (iii) in the consolidated financial report of a parent entity, the recognised assets and liabilities of a subsidiary be measured at fair value adjusted for estimated costs to sell (except for deferred tax

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balances). The ED will also propose that a balancing item representing the difference between the market value of a subsidiary and the fair value of its recognised net assets be presented in the statement of financial position;

- (d) a superannuation plan with defined benefit members disclose information that provides users with a basis for understanding:
 - (i) the key assumptions used to measure the obligation for defined benefit members' accrued benefits;
 - (ii) the uncertainties surrounding the key assumptions, including the amount and timing of benefit payments;
 - (iii) any changes in the key assumptions from the previous reporting period; and
 - (iv) whether the key assumptions used to calculate the defined benefit obligation in the previous reporting period are consistent with experience;
- (e) a superannuation plan that is exposed to insurance risk in relation to its members' death and disability cover measure its insurance liabilities using AASB 1038 *Life Insurance Contracts*;
- (f) a defined benefit member be defined as a member whose benefits are specified, or are determined, at least in part, by reference to a formula based on their years of membership and/or salary level;
- (g) a defined contribution member be defined as a member whose benefits are determined by reference to accumulated contributions made by them and on their behalf, together with investment earnings thereon; and
- (h) if a parent entity prepares separate financial statements that were held out to be general purpose financial statements, they be presented with the entity's consolidated financial statements.

The Board also tentatively decided that the ED should not propose requiring the disclosure of a Management Expense Ratio for a superannuation plan or ADF as a whole.

The Board will consider a revised draft ED at its September 2008 meeting.

Financial Instruments – Eligible Hedged Items

The AASB made AASB 2008-8 *Amendments to Australian Accounting Standards – Eligible Hedged Items*.

AASB 2008-8 amends the application guidance of AASB 139 *Financial Instruments: Recognition and Measurement* to clarify how the existing principles underlying hedge accounting apply to the designation of:

- (a) a one-sided risk in a hedged item; and
- (b) inflation as a hedged risk or portion in particular circumstances.

The amendments apply retrospectively to annual reporting periods beginning on or after 1 July 2009, with earlier application permitted. AASB 2008-8 will be published on the website shortly.

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Concise Financial Reports

The Board made revised AASB 1039 *Concise Financial Reports*, which includes amendments to achieve consistency with the requirements of AASB 101 *Presentation of Financial Statements* and AASB 8 *Operating Segments*, which apply to annual reporting periods beginning on or after 1 January 2009. Revised AASB 1039, which also applies to annual reporting periods beginning on or after 1 January 2009, will be published on the website shortly. Early adoption is permitted.

Annual Improvements 2008

The Board approved ED 165 *Proposed Improvements to Australian Accounting Standards*, which includes the IASB's ED *Improvements to IFRSs* that was issued as part of the IASB's annual improvements project. The Board noted that the proposal to add a section to the Appendix to AASB 118 on determining whether an entity is acting as a principal or agent might have implications in a public sector not-for-profit context. The Board decided to specifically seek input on that proposal.

ED 165 will be published on the website shortly. Submissions are requested by 20 October 2008.

Earnings per Share

The Board approved ED 166 *Simplifying Earnings per Share: Proposed amendments to AASB 133*, which includes the IASB's ED *Simplifying Earnings per Share: Proposed amendments to IAS 33*.

ED 166 will be published on the website shortly. Submissions are requested by 31 October 2008.

Interpretations

The Board approved AASB Interpretation 15 *Agreements for the Construction of Real Estate* and AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*, which conform to IFRIC Interpretations 15 and 16. AASB Interpretation 15 applies to annual reporting periods beginning on or after 1 January 2009, with early adoption permitted. AASB Interpretation 16 applies to annual reporting periods beginning on or after 1 October 2008, with early adoption permitted. Both Interpretations will be published on the website shortly.

AASB Interpretation 15

AASB Interpretation 15 applies to agreements for the construction of residential real estate arising from marketing individual units 'off plan' before construction is complete. It also applies to any other agreement for the construction of real estate (whether residential or non-residential).

The Interpretation clarifies that an agreement for the construction of real estate meets the definition of a 'construction contract' (and therefore falls within the scope of AASB 111 *Construction Contracts*) when the buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress (whether or not it exercises that ability). For

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agreements that fall within the scope of AASB 118 *Revenue*, AASB Interpretation 15 clarifies how that Standard should be applied to the construction of real estate. It also clarifies how to account for separate components of agreements for the construction of real estate, such as building construction, sales of land, and the provision of property management services.

If an agreement for the construction of real estate is an agreement for the sale of goods, the entity recognises revenue by reference to the stage of completion using the percentage of completion method only if both of the following occur:

- (a) the entity transfers to the buyer control and the significant risks and rewards of ownership of the work in progress in its current state as construction progresses; and
- (b) all the criteria in paragraph 14 of AASB 118 are met continuously as construction progresses.

The Board noted that applying AASB Interpretation 15 might cause some changes in practice.

Minutes

The Board approved the minutes of the meeting held on 30-31 July 2008. These will be published on the website shortly.

Next Meeting on 24 September 2008

It is anticipated that the Board will deal with the following items:

- Amendments to AASB 1049 to align with AASB 101 (ED 163)
- Conceptual Framework
- GAAP/GFS Harmonisation (Entities within the GGS)
- Interpretations (including AASB 1048)
- Superannuation Plans and ADFs

2008 Meeting Dates

The Board agreed that its September meeting will be a one-day meeting and an additional one-day meeting will be held on 10 October 2008. Remaining 2008 meeting dates are:

- 24 September
- 10 October
- 12-13 November
- 17-18 December

These meetings will be held in Melbourne.

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