



Issue: Number 118
Date: 25 September 2008
Subject: AASB Meeting 91, 24 September 2008

Superannuation Plans and ADFs

The Board considered a revised version of the draft ED for a replacement Standard for AAS 25 *Financial Reporting by Superannuation Plans*. The Board agreed to:

- (a) retain the overall approach that other Standards apply unless otherwise specified;
- (b) include a core principle that outlines the information that needs to be reported to provide users with an understanding of the capacity to meet members' benefits and the financial risks to which the entity is exposed;
- (c) include more of the explanatory material from the Application Guidance in the body of the draft ED; and
- (d) require a superannuation plan that has defined benefit members to determine the present value of its obligation for those members' accrued benefits by attributing benefits to periods of service/membership under the plan's benefit formula. Accordingly, if a plan's benefit formula prescribes that members accrue materially higher levels of benefits as they near retirement age, the plan would not be permitted to attribute members' benefits on a straight-line basis, even though that approach is required by AASB 119 *Employee Benefits* in respect of a defined benefit obligation of an employer sponsor.

The Board will consider a further revised version of the draft ED at a future meeting.

GAAP/GFS Harmonisation for Entities within the GGS

The Board reconsidered its tentative decisions relating to GAAP/GFS harmonisation for entities within the GGS made at its May 2008 meeting, in view of a Heads of Treasuries letter to the Board that provides further insight into the practicalities of some of the issues.

The Board decided that the approach to GAAP/GFS harmonisation for entities within the GGS should differ from that adopted in AASB 1049 for GGSs and whole of governments, particularly on the grounds of the relevance of information for users. Accordingly, the Board came to the view that GAAP/GFS harmonisation

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for entities within the GGS could be achieved by those entities adopting applicable Australian Accounting Standards and by the Board amending AASB 101 *Presentation of Financial Statements* to specify that those entities should adopt the financial statement formats prescribed in AASB 1049 (in particular, the transactions/other economic flows split in the statement of comprehensive income), but exclude the key fiscal aggregates section at the foot of the statements.

The Board agreed that:

- (a) some of the other GAAP/GFS harmonisation requirements in AASB 1049 are also not relevant for entities within the GGS, including the requirement to disclose sector information, GFS functional information and reconciliations of GAAP measures to GFS measures of key fiscal aggregates;
- (b) it is not necessary for the Board to limit the recognition and measurement choices in Australian Accounting Standards to align with GFS, because the relevant authority in each jurisdiction can impose such limitations; and
- (c) to limit the scope of the project, other requirements imposed on GGSs and whole of governments by AASB 1049 should not be imposed on entities within the GGS. For example, budgetary reporting requirements will be the subject of a separate future project.

The Board will consider at a future meeting a draft ED that proposes amendments to AASB 101. It is intended that the proposals would apply to all entities within the GGS (whether incorporated or unincorporated, and whether for-profit or not-for-profit).

Conceptual Framework

The Board considered a draft submission on the IASB-FASB Discussion Paper *Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Reporting Entity*, having regard to the comments received on the AASB's related Invitation to Comment (ITC 17) and comments made at its Conceptual Framework Roundtable in August. The Board agreed that its submission should indicate that:

- (a) it agrees with a broad description of a reporting entity as proposed by the DP, rather than seeking to develop a precise definition;
- (b) the controlling entity model is distinctly different from a risks and rewards model. Consistent with the view articulated in the DP, control should be used for determining the composition of a group reporting entity. However, a risks and rewards analysis may be useful at the standards level in assisting the determination of where control resides;

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- (c) a discussion of benefits in forms other than cash should be included;
- (d) it agrees with using the entity perspective in preparing group financial reports and that the submission articulate the reasons for adopting an entity perspective, rather than a proprietary perspective; and
- (e) holding options over voting rights is not sufficient, in itself, to establish control of an entity.

The Board will further consider a draft submission at its October 2008 meeting.

Interpretations

The Board made AASB 1048 *Interpretation and Application of Standards* (September 2008) which includes the addition of the following principal pronouncements:

- AASB Interpretation 15 *Agreements for the Construction of Real Estate*;
- AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*;
- AASB Interpretation 1003 *Australian Petroleum Resource Rent Tax*; and
- AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* (December 2007).

Interpretations 15 and 16 were approved by the Board in August 2008, Interpretation 1003 was approved in November 2007 and the reissued Interpretation 1038 was approved in December 2007. The revised AASB 1048 also lists all Interpretations revised by Accounting Standards since September 2007.

The revised AASB 1048 is applicable to annual reporting periods ending on or after 30 September 2008 and will be published on the website shortly.

Amendments to AASB 1049 for Consistency with AASB 101

The Board considered the responses received on ED 163 *Proposed Amendments to AASB 1049 for Consistency with AASB 101* and decided that some of the issues raised by respondents were outside the limited scope of ED 163 and should therefore be considered as part of a separate post-implementation review of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The Board agreed to include a 'dividends' column in the illustrative statement of changes in equity for the whole of government by sector, to illustrate the payment of dividends by the PNFC and PFC sectors to the GGS.

The Board made AASB 2008-9 *Amendments to AASB 1049 for Consistency with AASB 101*, which is applicable to annual reporting periods beginning on or after 1 January 2009. Early adoption is permitted provided AASB 101 *Presentation of Financial Statements* (September 2007) is applied at the same time. The Standard will be available on the website shortly.

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Minutes

The Board approved the minutes of the meeting held on 27 August 2008. These are now published on the website.

Next Meeting on 10 October 2008

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

- Conceptual Framework (ITC 17 and ED 164)
- Criteria for Modifying IFRSs for Not-for-profit Entities
- Discontinued Operations
- Interpretations
- Process for Adopting IFRSs
- Superannuation Plans and ADFs

2008 Meeting Dates

Remaining 2008 meeting dates are:

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

Meetings are held in Melbourne.

2009 Meeting Dates

Meeting dates for 2009 are:

- 5 February
 - 4-5 March
 - 22 April
 - 20-21 May
 - 24-25 June
 - 29-30 July
 - 23-24 September
 - 28-29 October
 - 9-10 December.
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