

Financial Reporting Council

Australian  
Accounting Standards Board

Annual Reports

2001-02

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# Financial Reporting Council

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30 September 2002

The Hon Peter Costello, MP  
Treasurer  
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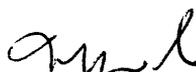
Dear Treasurer

I have pleasure in presenting the annual reports of the Financial Reporting Council (FRC) and Australian Accounting Standards Board (AASB) for the year ended 30 June 2002. The reports have been prepared in accordance with section 235B of *the Australian Securities and Investments Commission Act 2001* (ASIC Act) and section 9 of *the Commonwealth Authorities and Companies Act 1997* (CAC Act).

Subsection 235B(1) of the ASIC Act requires the FRC, by 31 October each year, to prepare a report on its operations and those of the AASB during the year and on the achievement of the objects of Part 12 of the ASIC Act relating to accounting standards. Under subsection 235B(4) of the ASIC Act, the report must be tabled in each House of the Parliament as soon as practicable.

Subsection 9(1) of the CAC Act requires the directors of the AASB to prepare, by no later than 15 October, an annual report for the past financial year which includes a report of operations, financial statements and the Auditor-General's report on those financial statements. Under subsection 9(3) of the CAC Act, the report must be tabled in each House of the Parliament as soon as practicable.

Yours sincerely



Jeffrey Lucy, AM  
Chairman



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# ABBREVIATIONS

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The following abbreviations are used throughout this report:

AASB	Australian Accounting Standards Board
ASIC	Australian Securities and Investments Commission
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i>
ASX	Australian Stock Exchange
CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
CPAA	CPA Australia (formerly the Australian Society of Certified Practising Accountants)
ED	Exposure Draft
FIDA	Financial Industry Development Account
FRC	Financial Reporting Council
G4+1	National accounting standard setting bodies of Australia, Canada, New Zealand, the United States and the United Kingdom (with an observer from the IASC). The G4+1 was disbanded in January 2001.
HOTARAC	Heads of Treasuries Accounting and Reporting Advisory Committee
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
ICAA	The Institute of Chartered Accountants in Australia
IFAC PSC	International Federation of Accountants Public Sector Committee
IFRIC	International Financial Reporting Interpretations Committee
IOSCO	International Organisation of Securities Commissions
PSASB	Public Sector Accounting Standards Board
SAC	Standards Advisory Council (of the IASB)
UIG	Urgent Issues Group

## CONTACT OFFICER

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# OVERVIEW

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## OVERSIGHT BY FRC

The key functions of the FRC are to determine the broad strategic direction of the Australian Accounting Standards Board (AASB) and to advise the Government on the process of setting accounting standards and on developments in international accounting standards.

In performing its functions, the FRC takes into account the objectives of standard setting set out in the ASIC Act 2001 — aiming to facilitate the development of high quality accounting standards, to facilitate the Australian economy, and to maintain investor confidence.

## DIRECTION-SETTING ACTIVITIES OF THE FRC

During the year the FRC:

- formally endorsed the objective of convergence of Australian accounting standards with International Accounting Standards Board (IASB) accounting standards by 1 January 2005, subject to the Government's support at the appropriate time for any necessary amendments of the Corporations Act;
- consulted extensively with the private sector concerning contributions to the standard-setting process, taking into account business' desire for clear performance assessment;
- began a process of raising funds from the private sector for international and Australian standard setting;
- approved a comprehensive review of any AASB standard where there is a conflict of substance with IASB standards;
- considered the AASB's broad strategic direction and proposed budget and staffing arrangements for 2002-03, and endorsed the broad shape of the AASB's proposed business plan for 2002-03; and
- reviewed, with the AASB Chairman, approaches to improving the operation and output of the AASB.

## Overview

### OTHER ACTIVITIES OF THE FRC

The FRC also:

- made 3 new appointments to replace members who had resigned from the AASB, and one re-appointment;
- approved and published a selection criteria framework for appointments to the AASB;
- approved the payment of a modest increase in sitting fees for part-time AASB members, to be reviewed in September 2002; and
- ran a 1 day workshop covering FRC/AASB relations with international bodies, the functioning of the UIG, and public sector accounting standard issues.

The FRC's work on international accounting standards is outlined separately below.

### STANDARD SETTING

The AASB held 13 meetings in 2001-02 for a total of 20 meeting days, at which it addressed significant standard setting and administrative issues.

A total of five new or revised accounting standards, two policy statements, five exposure drafts and three invitations to comment were issued by the AASB in 2001-02.

The Urgent Issues Group (UIG) met 8 times in 2001-02 and issued 9 new Abstracts during that period.

### CONSULTATION

The FRC and AASB are jointly and individually seeking to ensure maximum consultation with, and input from, stakeholders on particular standards and the standard setting process.

In 2001-02, the FRC:

- initiated a consultation round with business and other stakeholder organisations throughout the year, which included discussions on future private sector funding for standard setting and harmonisation;
- liaised closely with international standard setting stakeholders;

- issued six bulletins about decisions taken at its meetings and other important developments in the accounting standard setting process;
- maintained a close liaison with Australia's international representatives on the IASC, IASB, IFAC PSC, and IFRIC — including Mr Ken Spencer, Mr Warren McGregor, and Mr Ian Mackintosh;
- released a website ([www.frc.gov.au](http://www.frc.gov.au)) to further facilitate consultation.
- In 2001-02, the AASB:
  - met once with its Consultative Group — made up of representatives of industry, business, investor, academic, regulatory and professional bodies.
  - used its website ([www.aasb.com.au](http://www.aasb.com.au)) to provide information about the Board, its meetings and activities, and its work program;
  - issued media releases to announce when new or revised accounting standards had been made; and
  - issued an *AASB Action Alert* after each AASB meeting to summarise the proceedings of the meeting.

## INTERNATIONAL

The FRC has a statutory obligation to monitor the development of international accounting standards and accounting standards that apply in major international financial centres, to further the development of a single set of accounting standards for world-wide use with appropriate regard to international developments, and to promote the adoption of international best practice accounting standards in the Australian accounting standard setting process if doing so would be in the best interests of both the private and public sectors in the Australian economy.

The FRC is considering the policy implications for Australia of developments including:

- The EU directive for member states to adopt IASB Accounting Standards by 1 January 2005;
- The international regulatory response to accounting and auditing involvement in corporate failures such as Enron and WorldCom; and
- The IASB standards improvement project and exposure drafts.

## Overview

The FRC is also monitoring the work of the European Commission, IFAC-PSC and national accounting standard setting bodies in Canada, France, Germany, Japan, New Zealand, the United Kingdom and the United States.

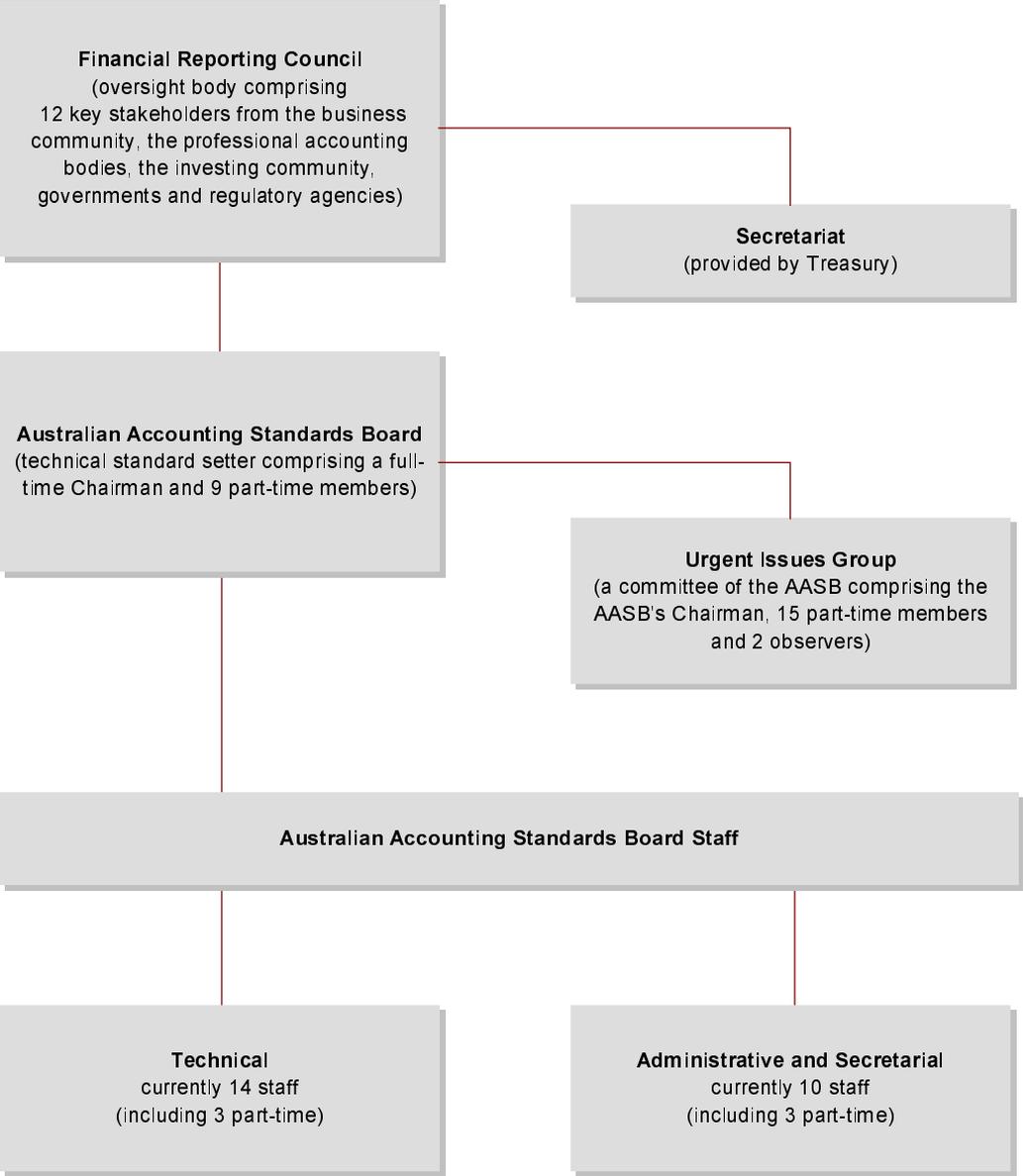
Australians have been successful in obtaining appointment to the IASB, IOSCO and IFRIC. Particulars of these appointments appear later in this report. In addition, several Australians have also been employed by the IASB's technical secretariat.

## ACCOUNTABILITY

Mr Jeff Lucy appeared before the Senate Economics and Legislation Committee in 2001-02.

# AUSTRALIAN ACCOUNTING STANDARD SETTING

Figure 1: Structure of institutional arrangements





# FINANCIAL REPORTING COUNCIL

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## CHAIRMAN'S REPORT



The past year will be remembered as the year where accounting standards were in the global spotlight, both politically and through enormous media coverage. Most of the focus was directed to the US following several high profile corporate failures that were largely caused by fraud and a failure to present financial accounts in a manner that provided reliable financial information

This very intense focus on corporate accounting and reporting in Australia has created an environment where more reform has been achieved than otherwise might have been possible.

During the last 12 months and to the date of this report, the FRC has recorded a number of very significant milestones:

- Providing the strategic direction to the AASB indicating that Australia will adopt International Accounting Standards issued by the International Accounting Standards Board (IASB) from 1 January 2005.
- Consulting widely with key constituent, regulatory and professional groups in Australia, North America, the UK and European Union.
- Obtaining a significant financial commitment to funding over the next two years provided by the Australian Stock Exchange under the Financial Industry Development Account (FIDA) program, subject to certain conditions being met, complemented by a direct approach to Australia's top 100 listed corporations seeking voluntary contributions for funding over the next 3 years.
- Participating in the decision to provide significant funding to the IASB Foundation to be applied towards the costs of the IASB.
- Being involved in a visit to Australia by Sir David Tweedie, the Chairman of the IASB, and his participation in a number of events and meetings with business and professional leaders, and with senior parliamentary and regulatory heads. Discussions centered on how the IASB was progressing and how he viewed the establishment of a single set of global high quality accounting standards. The areas canvassed included implementation, interpretation and enforcement issues.

These achievements are consistent with Government policies seeking a global framework for the preparation of financial accounts — a framework allowing Australian companies to prepare financial reports using accounting standards that will enable them to be more readily understood and accepted by the major international financial markets. These achievements are also consistent with the objectives of Part 12 of the ASIC Act.

The workload of the FRC and the AASB has been very significant, and members of both organizations have responded exceptionally well to the challenges that the last year has provided. We have been very well supported by our Secretariat within Treasury, and the staff of the AASB.

The FRC's formal support for Australia adopting IASB standards from 1 January 2005 was based on the following principal considerations:

- While the existing Australian standards are well regarded (and have proven themselves well during the last 12 months) they are not understood in the major capital markets, particularly the US. This has a direct and negative impact on Australian corporations who access capital internationally.
- The political and community commitment in the EU to the adoption of IASB standards from 1 January 2005 is real and unequivocal. This has also been supported by a number of east European countries, and several key Asian countries are also likely to follow.
- The IASB has achieved the international respect of key constituent groups for its leadership and there is a global level of confidence that they will produce the necessary high quality standards. This has allowed the EU and Australia to set the 2005 date.
- Australia has been on a path towards harmonization with IASB standards; however, there are still significant variances. To delay further any commitment to IASB would not provide corporate Australia the necessary time to prepare for the 2005 date.
- Australia is a liaison partner on the IASB, with representation on both the Board and the Council of Trustees. Our ability to influence debate and outcomes at the IASB is only restricted by our ability to present reasoned argument and debate. The AASB and its wide consultative process has given our representatives the tools they need to get the best possible outcome.

There is no doubt that the decision to adopt IASB standards will present a number of issues that will require careful management to ensure a smooth transition. While the business and professional community are broadly supportive of this decision, we have also been provided with high quality commentaries identifying matters that require

ongoing review and management. Realistically there are important matters to be addressed and communicated to our constituents in a timely manner.

## Consultation

I was provided the opportunity of travelling to the US, Canada, UK and Brussels to meet with government, regulatory, professional and business leaders to encounter first hand the global mood for change in accounting (and auditing/governance) regulation following Enron and the other large US corporate failures. Much of what I was advised is now in the public arena through proposed US and EU regulatory changes. It will continue to be important to maintain our dialogue with key contacts to get the benefits of their experiences and to ensure we do not unwittingly fall out of step with global changes.

During the last twelve months I have met regularly with representatives of key constituent groups including regulators, professional and business associations, leaders of listed corporations and Heads of Treasuries and Finance. On several occasions I met with the AASB, and also appeared before two Senate Estimates Committees. I have also had the benefit of regular meetings with the Parliamentary Secretary to the Treasurer, Senator Ian Campbell, who supports the Treasurer in his role in this important area. The feedback received from all these meetings has been invaluable.

## Funding

The FRC has been active in seeking funding alternatives for the AASB/FRC structure and has aimed to match Australia's human input to the IASB with a financial contribution. We have undertaken this with regard to the government's ambition for a form of partnership for funding including government, business and the accounting profession. We have also been very mindful to ensure that any funding provided would not in any way prejudice the independence of the AASB.

Over the last two years we have received support from State, Territory and Federal Governments as well as the accounting profession through the three accountancy bodies (ICAA, CPAA and NIA). The business support received has to date been provided by the Australian Stock Exchange. However, consistent with the support strongly provided by G100 at the time the funding model was developed by Government, we have sought voluntary financial contributions for three years from the top 100 Australian publicly listed companies. This approach has received the bipartisan support at the political level. Invitations to contribute funding are currently before those companies, and will be reported on in the next annual report.

The Australian Stock Exchange, with the approval of the Parliamentary Secretary to the Treasurer, has made available, subject to certain conditions, \$2 million funding over the next two years from the FIDA fund. These moneys will provide an important funding basis for the FRC to ensure that the AASB is adequately funded, and that we are able to provide a significant financial contribution towards the IASB. The FRC has sought and obtained acceptable assurances from the IASB Foundation that our financial contribution will be appropriately applied.

## Support

The FRC/AASB have received strong support and input from Mr Warren McGregor, the IASB Liaison member to the AASB, and Mr Ken Spencer, Trustee of the IASB Foundation. This year we also intend to invite Australia's representative from the IASB Standards Advisory Council (Peter Day) to present to the FRC during the course of our meetings.

The FRC has continued its very close contact with the AASB, primarily through its Chairman, Mr. Keith Alfredson. This involvement has included Keith's full participation at FRC meetings, including the Audit and Nominations Committees. The FRC has undertaken appointments to the AASB following extensive consideration by our Nominations Committee. This followed press advertisements seeking expressions of interest to serve on the AASB.

I also wish to formally acknowledge the following:

- Michael Ullmer, who served as Deputy Chairman and Chairman of the Nominations Committee, and Gary Potts both retired from the FRC during the course of last year. In their respective areas, they both made very significant contributions to the FRC and Australian standard setting in general.
- Keith Alfredson has worked tirelessly to meet the challenges of leading the AASB during a period of significant change and demand. His contribution to standard setting in Australia is very well regarded. He is also well respected internationally for his skillful representation of Australia's interests.
- The Secretariat provided by Treasury under the leadership of Michael Kooymans has met the high expectations of the FRC in very demanding times. Michael's support and counsel has been invaluable to me and in no small manner the achievements of the past year are due to his and his colleagues' efforts.
- All members of the FRC have devoted themselves willingly and ably to the issues we have faced. There has been no shortage of new challenges this last year, with the global business and political spotlight being on accounting standards. I sincerely believe the members of the FRC as a team have worked well with our decisions

having been taken with full regard to our statutory obligations and the expectations of our constituents.

The next twelve months will require prompt attention to the many consequences of the decision to adopt international standards by 2005. Many of these fall under the responsibility of the AASB; however, responsibility for many will also lie with the FRC to manage or to provide strategic direction to the AASB. We also need to meet the ongoing expectations of both the public and private sectors. I am sure the FRC looks forward to meeting those obligations.

A handwritten signature in black ink, appearing to read 'J. Lucy', written in a cursive style.

Jeff Lucy  
Chairman of FRC  
5 September 2002



## FINANCIAL REPORTING COUNCIL GOVERNANCE

### Establishment, functions and powers

The FRC is a statutory body which was established under subsection 225(1) of the *Australian Securities and Investments Commission Act 1989*, and which is continued in existence by section 261 of the *Australian Securities and Investments Commission Act 2001* (the ASIC Act). Under subsection 225(2) of the ASIC Act, the FRC is responsible for providing broad oversight of the process for setting accounting standards in Australia and giving the Minister reports and advice on that process.

Specific matters for which the FRC is responsible include:

- overseeing the operations of the AASB, including:
  - appointing its members (other than the Chair, who is appointed by the Treasurer);
  - approving and monitoring its priorities, business plan, budget and staffing arrangements;
  - determining its broad strategic direction;
  - giving it directions, advice or feedback on matters of general policy and its procedures; and
  - monitoring the effectiveness of its consultative arrangements;
- monitoring the development of international accounting standards and accounting standards that apply in major international financial centres;
- promoting the adoption of international best practice accounting standards in the Australian accounting standard setting process if doing so would be in the best interests of the Australian economy;
- monitoring the operation of Australian accounting standards to assess their continued relevance and effectiveness in achieving their objectives; and
- seeking contributions towards the costs of the Australian accounting standard setting process.

The legislation expressly limits the FRC's ability to become involved in the technical deliberations of the AASB. It provides that the FRC does not have power to direct the AASB in relation to the development, or making, of a particular standard, or to veto a

## Financial Reporting Council governance

standard formulated or recommended by the AASB. This provision is designed to ensure the independence of the standard setter on technical matters.

## Membership and meetings

Under section 235A of the ASIC Act, the members of the FRC are appointed by the Treasurer and hold office on terms and conditions determined by the Treasurer. The Treasurer in the past has appointed FRC members from nominations put forward by key stakeholder groups.

A full list of members during 2001-02, their qualifications and the stakeholders who nominated them, is in Appendix A. In addition, alternate members have been appointed to participate in FRC meetings when the members for whom they are appointed are unable to attend. Their details also appear in Appendix A.

## OPERATIONS AND ACTIVITIES

### Appointments to the AASB

The FRC Nominations Committee, established in mid 2001, is responsible for recommending appointments to the AASB. Until his resignation on 22 March 2002 the Chairman of the Nominations Committee was FRC Deputy Chairman Mr Michael Ullmer. Mr Phillip Prior was appointed Chair on 28 June 2002. The other members of the Committee are the AASB Chairman, Mr Keith Alfredson, and FRC members Mr Don Challen, and Mr Robert Nottle, CBE. Mr Robert Wylie participated as an informal member of the Committee during 2001-02.

The Nominations Committee held one formal meeting in 2001-02, on 7 November 2001. At this meeting it: agreed to change its Charter to allow for recommendations on remuneration for part-time AASB Board members and staff; following advertising in the national press in September 2001, recommended appointments to upcoming vacancies in the AASB; and undertook the regular performance review of AASB members.

### Overseeing the AASB

The FRC's responsibilities include approving the AASB's priorities, business plan, budget and staffing arrangements.

On 28 September 2001 the FRC established a group of members to examine improvements to the operation and output of the AASB.

On 3 December 2001 the FRC approved the AASB's revised budget for 2001-02.

On 28 June 2002, the FRC approved the AASB's proposed standard setting priorities for 2002-03. These work program priorities are set out at Appendix F. The FRC also considered the AASB's broad strategic direction and proposed budget and staffing arrangements for 2002-03, and endorsed the AASB's proposed business plan.

The FRC Audit Committee met on 3 June 2002 and approved the AASB Fraud Control plan, Security Risk Management Policy, the AASB engagement of the Australian National Audit Office, and the timetable for AASB reporting for 2001-02. It met again on 21 August 2002 to review the draft annual report and financial accounts for the period 2001-02.

## International accounting standards

2001-02 saw major movements in accounting policy in Australia and overseas. On 28 June 2002 the FRC formally supported the adoption of International Accounting Standards by 1 January 2005. This decision was taken following extensive consultation with stakeholders regarding the European Union decision to embrace IASB standards by the same date.

The FRC supported the Government's view that a single set of high quality accounting standards which are accepted in major international capital markets will greatly facilitate cross-border comparisons by investors, reduce the cost of capital, and assist Australian companies wishing to raise capital or list overseas.

Further developments included the IASB issuing exposure drafts of improvements to 12 existing standards, and of amendments to existing standards IAS32 and 39 relating to financial instruments. There have also been significant changes in regulation in the United States and Canada.

The FRC is monitoring and assessing further developments in international accounting standard setting, including the work of the IASB, and national accounting standard setting bodies in Canada, France, Germany, Japan, New Zealand, the United Kingdom and the United States. It is also monitoring the work of the European Commission, the International Federation of Accountants Public Sector Committee, and the pronouncements of national securities market regulators in major capital markets.

## Consultation

The FRC regularly issues a bulletin about decisions taken at its meetings and other important developments in accounting standard setting. The bulletin is distributed to the media and stakeholders and is available on the FRC website. Access to past issues

## Financial Reporting Council governance

is possible from the FRC website, or by contacting the FRC's Secretary (see address below).

During the year, FRC Chairman Mr Jeff Lucy and other members of the FRC consulted extensively with representatives of corporations, business organisations, other stakeholder bodies and accounting organisations. In 2001-02 Mr Lucy also travelled overseas and consulted widely with corporate and accounting body executives on matters relating to international harmonisation of accounting standards.

## Finances

In 2001-02 the FRC initiated a major change in funding arrangements, seeking further private sector contributions to the development of international and Australian Accounting Standards. Managing Director and CEO of the Australian Stock Exchange, Mr Richard Humphry addressed the FRC meeting of 28 June 2002 on this matter. At the same meeting the FRC approved an approach to the top 100 listed companies for financial contributions to standard setting.

On 12 June Senator Ian Campbell announced Australia would be making a substantial financial contribution, through the FRC, to the International Accounting Standards Committee (IASC) Foundation in 2002-03. This contribution will be sourced from funds available to the FRC for the standard setting process contributed by the Commonwealth, State and Territory governments, the three accounting bodies, the Australian Stock Exchange, and from the Financial Industry Development Account.

Section 238 of the ASIC Act provides that the moneys of the AASB may be applied in meeting the administrative expenses of the FRC and the payment of any remuneration and allowances payable to a person appointed under Part 12 of the ASIC Act.

FRC members receive out-of-pocket expenses incurred in enabling them to fulfil their roles, including attendance at meetings. This expense was met by the AASB where not otherwise met by stakeholder bodies.

## Workshop

On 3 December 2001 the FRC held a half-day workshop examining AASB and UIG business processes. The outcomes were presented to the FRC at the 22 March 2002 meeting.

## FREEDOM OF INFORMATION

The FRC maintains possession of the following documents:

- FRC meeting agenda papers;
- administrative and technical papers concerning the FRC's functions and its performance of those functions;
- copies of bulletins issued by the FRC; and
- correspondence with stakeholder groups and members of the public.

Requests under the *Freedom of Information Act 1982* for access to documents in the possession of the FRC can be directed to the FRC secretariat using the contact details set out below.

## CONTACTING THE FRC

The FRC can be contacted as follows:

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Facsimile:	(02) 6263 2770
E-mail:	mkooymans@treasury.gov.au



# AUSTRALIAN ACCOUNTING STANDARDS BOARD

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## CHAIRMAN'S REPORT

### Background



The corporate events of the past year have suddenly made accounting standard setting fashionable and have elevated so-called principle-based accounting standards above rule-based standards. Hardly a day passes without some commentator providing input as to the perceived best solutions to corporate reporting issues. The need for professional judgment is being re-emphasised.

Who would have imagined a year ago that preparers and others would now be advocating that the cost of executive options should be recognised in the statement of financial performance? Special purpose entities are today being spoken of with increased familiarity as is the need for the concept of control to be applied to the identification of entities to be included in consolidated accounts. Revenue recognition practices are under intensive scrutiny, as are the characteristics that differentiate debt from equity.

While there is a need to differentiate between non-compliance with accounting standards and inadequate accounting standards, standard setters face difficult challenges as they seek to find solutions that will enhance the transparency of financial reporting. However, it is vital that standard setters do not lose the unique opportunity available to them — post Enron, WorldCom, HIH etc. — to make a quantum improvement in worldwide financial reporting.

This is the environment in which the AASB has operated during the year ended 30 June 2002. Of even greater significance, it is the environment in which the AASB must plan for the future.

### Converging Australian accounting standards with international accounting standards

In my report last year I predicted that 'history will, in my view, eventually record 2001 as the year in which international accounting standard setting was transformed into a robust process designed to lead to the establishment of a set of high quality global accounting standards supported by national standard setting bodies around the

world'. The activities of the IASB during the past year re-enforces my view that my 2001 prediction will ultimately prove to be correct.

The IASB issued in May 2002 an exposure draft of proposed improvements to twelve international accounting standards. A further exposure draft was issued by the IASB in June 2002 proposing amendments to IAS 32 *'Financial Instruments: Disclosure and Presentation'* and IAS 39 *'Financial Instruments: Recognition and Measurement'*.

It is also aggressively working on proposed revised standards relating to business combinations, intangible assets and impairment of assets and a new standard dealing with the recognition of share-based payments, including executive options.

Further, the European Union has confirmed that all listed EU entities will be required to adopt IAS standards in the preparation of their consolidated accounts from 1 January 2005 (2007 for certain entities that are foreign registrants). Given the size of the EU capital markets, this decision provides a substantial uplift to the immediate relevance of the work of the IASB.

The AASB's response to these IASB developments during the past year has included:

- Issue of the updated Policy Statement 4 *'International Convergence and Harmonisation Policy'* that reflects the workings and intention of the IASB international partnership, through which the IASB liaison standard setters have been asked to co-operate with the IASB in its quest to develop a single set of high quality, understandable and enforceable global accounting standards that require transparent and comparable information in general purpose financial statements.
- Alignment of the work program of the AASB with that of the IASB and participation in and monitoring of key IASB projects of prime relevance to Australian standard setting. There are of course public sector and other domestic issues that require attention.
- The IASB member with liaison responsibility for Australia (Mr Warren McGregor) has been given participating observer status at AASB meetings. He is a regular attendee.
- The AASB is spending increasing amounts of Board time deliberating on the tentative decisions reached by the IASB on key issues. For example, much Board time has been spent on the IASB's Business Combinations (including Intangible Assets) Phase I project.
- The AASB has been communicating with the IASB on certain tentative decisions of the IASB on which the AASB has an alternative view. These communications have related to both the Business Combinations project and the Financial Instruments project. The IASB has acknowledged and welcomed this contribution by the AASB.

- The AASB has been accepted as a partner with the IASB on the project designed to improve the IASB Standard dealing with employers' accounting for the cost of defined benefit superannuation plans. This is a high priority IASB convergence project. The improved IASB Standard will be used to fill this important gap in current AASB Standards.
- In May 2002 the AASB issued an invitation to comment on the IASB's exposure draft that seeks to improve twelve of the existing international standards. The AASB's invitation to comment requests Australian constituents to respond to the IASB with copies to the AASB, as it is the AASB's intention to converge the Australian equivalent standards with the final improved Standards. To influence the Australian output, AASB constituents must influence the IASB result.
- In June 2002, a similar invitation to comment was issued by the AASB on the IASB's Exposure Draft that seeks to improve IAS 32 *'Financial Instruments: Disclosure and Presentation'* and IAS 39 *'Financial Instruments: Recognition and Measurement'*. Again, to influence the Australian output, AASB constituents must influence the IASB result.

It is the Board's intention to pursue aggressively its *'International Convergence and Harmonisation Policy'*, including its application to public sector and other not-for-profit accounting standard setting. The AASB is in the process of reviewing its due process procedures and work program in the light of the decision by the FRC on 28 June 2002 to support the adoption by Australia of International Accounting Standards by 1 January 2005. I hope that as the work of the IFAC PSC gathers pace, the AASB can participate in its program in a similar manner to the Board's current IASB participation. Given the current climate, I believe it is the right way forward — we must not relent.

However, the outcome of international convergence and harmonisation must be high quality, transparent and comparable reporting that is recognised globally and which assists in the efficiency of the capital markets — otherwise the process will fail. I strongly believe it will not be good enough to achieve comparability without high quality. Of course, whether high quality reporting eventuates is largely dependent on others, especially preparers (including audit committees and boards of directors), regulators and auditors.

## 2001-02 work program

The status of the 2001-02 program is reported in Appendix E. With the issue of two new standards, three revised standards, two revised policy statements, five exposure drafts and three invitations to comment, I believe the Board's accomplishments are commendable. In addition the Board issued a *'Glossary of Defined Terms'* and *'The Australian Convergence Handbook'*. I have no doubt the latter publication, which was prepared by the AASB technical staff, and which compares AASB Standards with IASB

## Australian Accounting Standards Boards

Standards, will prove invaluable to preparers and users as they come to grips with the implications of converging AASB Standards with IASB Standards by 2005.

## 2002-03 work program

The AASB's standard setting priorities for the year to 30 June 2003 have been approved by the FRC. These priorities are set out in Appendix F.

## Board changes

Mr Kevin Stevenson resigned from the Board on 26 October 2001 to become Director of Technical Activities at the IASB. His in-depth technical knowledge was particularly helpful to the Board.

Mr Peter Batten and Professor Graham Peirson retired from the Board on 14 February 2002, on the completion of their two year terms. Their contributions to the Board were significant. Mr Batten brought a strong preparer perspective, while Professor Peirson's prior experience on the former Public Sector Accounting Standards Board and the former Australian Accounting Standards Board and his unbending belief in the need to be true to the Accounting Concepts were invaluable.

Professor Ken Leo, Professor of Accounting, Curtin University of Technology and Ms Suzanne Lloyd, Director Securitisation, Deutsche Bank AG, Sydney were appointed to the Board on 15 February 2002, while Ms Judith Downes, Head of Finance, ANZ Banking Group, Melbourne was appointed on 1 March 2002. Ms Ruth Picker was reappointed for a three year term, and appointed as Deputy Chair.

## Urgent Issues Group

The UIG again provided a most valuable service through its interpretations of accounting standards in particular circumstances. During the year to 30 June 2002, the UIG issued nine new abstracts. The part-time members who all act on a voluntary basis are to be commended for their contribution.

## Appreciation

I regard it as a personal privilege to serve as full-time Chairman of the AASB and UIG. The challenges are significant, but much has been achieved. However, as I stated in my 2001 report, none of these achievements would have been possible without the effort and contributions made by other Board members, other UIG members, the AASB technical and administrative staff and other AASB constituents, especially respondents

to exposure drafts and invitations to comment. I especially note the tremendous dedication of the AASB technical staff under the leadership of Mr Angus Thomson, Technical Director.

They continually believe in and strive for standards that will result in high quality financial reporting. As AASB Chairman I find them an inspiration. The work of the administrative staff greatly assists the efficiency and effectiveness of the day-to-day operations of the AASB.

I am grateful for all the efforts of all participants. As we work towards the convergence of AASB Standards with IASB Standards by 2005, nothing could be more important than the continuation of this participation.

A handwritten signature in black ink that reads "Keith Alfredson". The signature is written in a cursive, flowing style.

Keith Alfredson  
Chairman of AASB  
5 September 2002

## AASB DIRECTORS' REPORT OF OPERATIONS

### Technical activities of AASB during 2001-02

#### Membership and meetings of AASB

The Chairman and members of the AASB are appointed under section 236B of the ASIC Act. For the period covered by this report the responsible Minister was the Treasurer, the Honourable Peter Costello. The Chairman is appointed by the Treasurer while other members are appointed by the FRC.

To be eligible for appointment, a person must have knowledge of, or experience in, business, accounting, law or government. The Chairman and members hold office on the terms and conditions that are determined by the Treasurer and FRC respectively. Appointments may be made for a period of up to five years and retiring members are eligible for reappointment.

The members of the AASB during 2001-02 are listed in Appendix B. The Board held 13 meetings for a total of 20 meeting days during the year, and attendance of members at these meetings is set out in Appendix D.

#### Standard setting

The AASB has responsibility for accounting standard setting. A full list of Accounting Standards, Statements of Accounting Concepts and Policy Statements and their issue dates is at Appendix G.

During the year, the Board issued or reissued the following standards and other documents:

#### *New standards*

- |            |  |
|------------|--|
| AASB 1020A | Amendments to Accounting Standard AASB 1020 and Australian Accounting Standard AAS 3 (issued June 2002). |
| AASB 1044  | Provisions, Contingent Liabilities and Contingent Assets (issued October 2001).                          |

#### *Revised standards*

- |           |   |
|-----------|---|
| AASB 1018 | Statement of Financial Performance (revised June 2002). |
| AASB 1039 | Concise Financial Reports (revised June 2002).          |
| AASB 1041 | Revaluation of Non-Current Assets (revised July 2001).  |

*Policy statements*

- PS 4 International Convergence and Harmonisation Policy (revised April 2002).
- PS 5 The Nature and Purpose of Statements of Accounting Concepts (revised July 2001).

*Exposure drafts*

- ED 102 International Convergence and Harmonisation Policy (issued July 2001).
- ED 103 Investment Property (and Consequential Amendments to AASB 1021/ AAS 4 and AASB 1041) (Issued December 2001).
- ED 104 Impairment of Assets (issued March 2002).
- ED 105 Statement of Financial Performance: Amendments to AASB 1018/ AAS 1 (issued April 2002).
- ED 106 Director, Executive and Related Party Disclosures (issued May 2002).

*Invitations to comment*

The AASB issued Invitations to Comment in respect of:

- Proposed Improvements to International Accounting Standards and their Impacts on Australian Standards (issued May 2002);
- Proposed Improvements to International Accounting Standards IAS 32 '*Financial Instruments: Disclosure and Presentation*' and IAS 39 '*Financial Instruments: Recognition and Measurement*' (issued June 2002); and
- Proposed revisions to AASB 1018 and AAS 3 '*Statement of Financial Performance*' (issued September 2001).

*Other documents*

- Australian Accounting Standards Board Glossary of Defined Terms (June 2002).

*Books*

- The Australian Convergence Handbook (issued February 2002).

## Australian Accounting Standards Boards

### Urgent Issues Group

The UIG's purpose is to review on a timely basis in the context of existing Accounting Standards and Statements of Accounting Concepts, accounting issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidance, with a view to reaching a consensus as to the appropriate accounting treatment. The UIG comprises 15 (16 to May 2002) members drawn from a wide range of constituent groups. A consensus of the UIG requires that 11 or more members vote in favour of, and no more than 3 members vote against, the proposed treatment for the issue in question. The AASB has a reserve power of veto over UIG consensus views. A UIG consensus view is published in an Abstract. A full list of UIG Abstracts and their issue dates is at Appendix G.

The following abstracts were issued during the financial year:

#### *New*

- Abstract 39      Effect of Tax Consolidation Proposals on Deferred Tax Balances (issued July 2001).
- Abstract 40      Non-Reciprocal Transfers within an Economic Entity for Monetary or No Consideration (issued September 2001).
- Abstract 41      Fair Value of Equity Instruments Issued as Purchase Consideration (issued September 2001).
- Abstract 42      Subscriber Acquisition Costs in the Telecommunications Industry (issued October 2001).
- Abstract 43      Classification of Financial Instruments with Conversion Options (issued November 2001).
- Abstract 44      Acquisition of In-Process Research and Development (issued February 2002).
- Abstract 45      Subsidiary becomes a Joint Venture Entity or an Associate (issued April 2002).
- Abstract 46      Initial Foreign Currency Translation for Redomiciled Entities (issued April 2002).
- Abstract 47      Professional Indemnity Claims Liabilities in Medical Defence Organisations (issued June 2002).

### Due process

The AASB adopts a comprehensive 'due process' (outlined in PS 1 *The Development of Statements of Accounting Concepts and Accounting Standards*) when developing its pronouncements, and encourages the preparers and users of financial reports to participate actively in the standard-setting process by:

- communicating its views and policies to a broad range of interested parties via discussion papers, accounting theory monographs, invitations to comment and exposure drafts;
- meeting with representatives of interested parties and organisations;
- inviting public comment on its policies, procedures, priorities and standards under consideration;
- issuing media releases related to its activities; and
- maintaining a website ([www.aasb.com.au](http://www.aasb.com.au)).

In addition, the AASB publishes an *AASB Action Alert* to keep interested parties informed of the AASB's deliberations at each of its meetings.

The UIG adopts a more limited 'due process' under which minutes of its meetings, issue proposals, issue summaries and draft Abstracts are freely available on the website.

### Consultative group

The AASB Consultative Group brings together a wide cross-section of interest groups in the private, public and not-for-profit sectors. The purpose and operation of the Consultative Group is set out in Policy Statement PS 2 *The AASB Consultative Group* as revised and reissued in June 2001.

The Consultative Group held one meeting during the year in March 2002.

### Liaison with constituents

The AASB meets with a wide range of people to discuss matters of interest both generally and in relation to specific projects.

### Use of website

The AASB maintains a website ([www.aasb.com.au](http://www.aasb.com.au)). The website is used to provide information about the AASB, its activities and work program to its constituents and other interested parties and the UIG and its activities. Authoritative pronouncements are published on the website and may be downloaded free of charge. The AASB also publishes meeting agendas and copies of key AASB Board papers on its website, prior

## Australian Accounting Standards Boards

to meetings. The AASB publishes brief summaries of key projects on the Board's website outlining the background to each project and recent progress and Board decisions. The AASB also uses the website to seek comments on exposure drafts and invitations to comment in order to facilitate urgent action on projects.

### Seminars

Members of the AASB and its staff are available to present papers on matters relating to the AASB's work program at seminars, congresses and conferences held throughout Australia. The Chairman made one presentation at an international conference during 2001-02.

## Indemnities and insurance premiums for directors and officers

No indemnities have been given or agreements made in respect of any current or former officer of the AASB, including FRC Directors. The AASB has arranged professional indemnity insurance with COMCOVER, to a value of \$20 million and at a cost of \$11,550.

## AASB PUBLICATIONS

All authoritative pronouncements issued by the AASB and UIG, including Statements of Accounting Concepts, Policy Statements, Accounting Standards (AASB and AAS series), Accounting Interpretations and UIG Abstracts, are available for purchase from the AASB and are published on its website. A full list of pronouncements currently on issue is at Appendix G.

The AASB also publishes a range of other documents, including:

- an *AASB Action Alert* to keep interested parties informed of the AASB's deliberations at each of its meetings;
- AASB and UIG media releases;
- exposure drafts of proposed new and revised accounting standards;
- invitations to comment (often concerning exposure drafts issued by the International Accounting Standards Board);
- Accounting theory monographs;
- consultative and discussion papers issued in conjunction with the IASB and other national accounting standard setters; and
- *Transparency*, a periodical newsletter on the activities of the AASB.

The AASB provides subscription services in respect of most of these documents. In addition, individual copies are available for sale. Further information can be obtained from the AASB using the contact details set out below. Accounting standards, UIG abstracts, exposure drafts, invitations to comment and policy statements are freely available on the website.

## FREEDOM OF INFORMATION

The AASB maintains possession of the following documents:

- copies of accounting standards;
- copies of exposure drafts and invitations to comment;
- copies of media releases;
- AASB and UIG meeting agenda papers;
- correspondence with constituents, including responses to exposure drafts and invitations to comment; and
- Internal technical and administrative papers, including project proposals, key decisions questionnaires, issues papers, draft exposure drafts and draft accounting standards.

Requests under the *Freedom of Information Act 1982* for access to other documents in the possession of the AASB can be directed to the AASB Secretary using the contact details set out below.

No applications under the *Freedom of Information Act 1982* were received by the AASB during the year.

## COMMONWEALTH DISABILITY STRATEGY

The AASB is committed to applying the Commonwealth Disability Strategy (CDS) and has instituted activities that contribute to meeting its requirements. The role of the AASB is specified elsewhere in this report. For the purposes of the CDS, the AASB performs *Policy Adviser* and *Regulator* roles.

## Commonwealth Disability Strategy performance reporting

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Requirement for role	How met
Provision of accessible policy, program and regulatory information	
Internet format	AASB: all news items, policy statements, accounting standards, exposure drafts and other formal accounting regulatory documents are available on a Government Standards compliant website.
Disk format	Contact details for the AASB are available on its website. Users can call or write to request material on disk.
Plain English communication	Where possible, general information is written in plain English. However, some financial reporting matters are highly complex and require the accuracy of technical language.
Consultation	The AASB consults widely in its own right, with users, preparers and others interested in financial reporting. Because the nature of AASB activity is broad, and focuses on capital markets, specific consultation with people with disabilities is generally inappropriate.
Complaint or grievance mechanisms	Contact details for the AASB are available on its website. People can call or write to register any complaint.

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## CONTACTING THE AASB

The AASB can be contacted as follows:

Post:	The Secretary Australian Accounting Standards Board PO Box 204 Collins St. West MELBOURNE VIC 8007
Telephone:	(03) 9617 7600
Facsimile:	(03) 9617 7608
Document Exchange	DX 30897 Document Exchange
E-mail:	standard@asb.com.au

# FINANCIAL REPORT

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## INDEPENDENT AUDIT REPORT

To the Treasurer

### Scope

I have audited the financial statements of the Australian Accounting Standards Board for the year ended 30 June 2002. The financial statements comprise:

- Statement by Directors;
- Statements of financial performance, financial position and cash flows;
- Schedules of commitments and contingencies; and
- Notes to and forming part of the Financial Statements.

The members of the Financial Reporting Council are responsible for the preparation and presentation of the financial statements of the Australian Accounting Standards Board and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you.

The audit has been conducted in accordance with Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with my understanding of the Australian Accounting Standards Board's financial position, its financial performance and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

PO Box A456 Sydney South NSW 1235  
130 Elizabeth Street  
SYDNEY NSW  
Phone (02) 9367 7100 Fax (02) 9367 7102

**Audit Opinion**

In my opinion the financial statements:

- (i) have been prepared in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*; and
- (ii) give a true and fair view, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Finance Minister's Orders, of the financial position of the Australian Accounting Standards Board as at 30 June 2002, and its financial performance and cash flows for the year then ended.

Australian National Audit Office



P Hinchey  
Senior Director

Delegate of the Auditor-General

Sydney

5 September 2002

AUSTRALIAN ACCOUNTING STANDARDS BOARD  
STATEMENT BY DIRECTORS

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In our opinion, the attached financial statements for the year ended 30 June 2002 give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*.

The Directors of the AASB are responsible under section 9 of the CAC Act for the preparation and content of the report of operations in accordance with the Finance Minister's Orders.



Director  
5 September 2002



Director  
5 September 2002

Australian Accounting Standards Board statement of financial performance for the year ended 30 June 2002

	Notes	2002 \$	2001 \$
<b>Revenues from ordinary activities</b>			
Revenues from government	3A	1,500,000	1,502,598
Sales of publications	3B	174,888	226,276
Interest	3C	34,749	22,396
Proceeds from disposal of assets	4C	16,637	-
Grants and contributions	3D	1,310,000	1,375,828
Other		<u>2,747</u>	<u>2,082</u>
<b>Total revenues from ordinary activities</b>		<b>3,039,021</b>	<b>3,129,180</b>
<b>Expenses from ordinary activities</b>			
Employees	4A	2,180,173	1,948,950
Suppliers	4B	743,952	765,878
Depreciation and amortisation	4D	140,313	149,989
Disposal of assets	4C	4,498	-
<b>Total expenses from ordinary activities</b>		<b>3,068,936</b>	<b>2,864,817</b>
Net (deficit) surplus		<u><b>(29,915)</b></u>	<u><b>264,363</b></u>
Total changes in equity other than those resulting from transactions with owners as owners		<u><b>(29,915)</b></u>	<u><b>264,363</b></u>
The above statement should be read in conjunction with the accompanying notes.			

## Australian Accounting Standards Board statement of financial position as at 30 June 2002

	Notes	2002 \$	2001 \$
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash	5A	240,030	312,008
Receivables	5B	33,067	9,621
Term deposit	5A	624,773	306,716
<b>Total financial assets</b>		<b>897,870</b>	<b>628,345</b>
<b>Non-financial assets</b>			
Leasehold improvements	6A	159,763	250,198
Plant and equipment	6B	122,224	134,395
Inventory	6D	3,300	1,952
Prepaid expenses		16,438	10,946
<b>Total non-financial assets</b>		<b>301,725</b>	<b>397,491</b>
<b>Total assets</b>		<b>1,199,595</b>	<b>1,025,836</b>
<b>LIABILITIES</b>			
<b>Provisions</b>			
Employees	7A	565,632	364,339
<b>Total provisions</b>		<b>565,632</b>	<b>364,339</b>
<b>Payables</b>			
Suppliers	8A	170,372	153,224
Subscriptions in advance		63,638	78,405
<b>Total payables</b>		<b>234,010</b>	<b>231,629</b>
<b>Total liabilities</b>		<b>799,642</b>	<b>595,968</b>
<b>NET ASSETS</b>		<b>399,953</b>	<b>429,868</b>
<b>EQUITY</b>			
Accumulated surplus	9	399,953	429,868
<b>Total equity</b>		<b>399,953</b>	<b>429,868</b>
<b>Current liabilities</b>		<b>360,213</b>	<b>442,310</b>
<b>Non-current liabilities</b>		<b>439,429</b>	<b>153,658</b>
<b>Current assets</b>		<b>917,608</b>	<b>641,243</b>
<b>Non-current assets</b>		<b>281,987</b>	<b>384,593</b>

The above statement should be read in conjunction with the accompanying notes.

Australian Accounting Standards Board statement of cash flows  
year ended 30 June 2002

	Notes	2002 \$	2001 \$
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations		1,500,000	1,500,000
Sales of publications		197,727	327,751
Interest		31,220	22,396
GST recovered from taxation authority		66,093	52,320
Grants and contributions		1,325,000	1,397,410
Other		2,747	2,083
<i>Total cash received</i>		<u>3,122,787</u>	<u>3,301,960</u>
<b>Cash used</b>			
Employees		1,963,808	1,837,508
Suppliers		791,598	696,496
GST paid to taxation authority		95,734	97,052
<i>Total cash used</i>		<u>2,851,140</u>	<u>2,631,056</u>
<b>Net cash from operating activities</b>	11	<u>271,647</u>	<u>670,904</u>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of plant and equipment		16,637	-
		<u>16,637</u>	<u>-</u>
<b>Cash used</b>			
Purchase of plant and equipment		(42,205)	(35,519)
		<u>(42,205)</u>	<u>(35,519)</u>
<b>Net cash used by investing activities</b>		<u>(25,568)</u>	<u>(35,519)</u>
<b>FINANCING ACTIVITIES</b>			
<b>Cash used</b>			
Repayment of debt		-	(50,200)
		<u>-</u>	<u>(50,200)</u>
<b>Net cash used by financing activities</b>		<u>-</u>	<u>(50,200)</u>
<b>Net increase in cash held</b>		<u>246,079</u>	<u>585,185</u>
Cash at the beginning of the reporting period	5	618,724	33,539
<b>Cash at the end of the reporting period</b>	5	<u>864,803</u>	<u>618,724</u>

The above statement should be read in conjunction with the accompanying notes.

## Australian Accounting Standards Board schedule of commitments as at 30 June 2002

	Notes	2002 \$	2001 \$
<b>BY TYPE</b>			
Operating leases		201,865	306,111
Commitments receivable*		(110,000)	(176,000)
<b>Net commitments</b>		<u>91,865</u>	<u>130,111</u>
<b>BY MATURITY</b>			
<b>All net commitments</b>			
One year or less		38,246	38,246
From one to two years		53,619	91,865
<b>Net commitments</b>		<u>91,865</u>	<u>130,111</u>

All commitments are GST inclusive where relevant.

Represents commitment of Australian Stock Exchange (the lessor of the AASB's premises) to make annual grants to the AASB to cover future premises lease rental commitments.

## Australian Accounting Standards Board schedule of contingencies as at 30 June 2002

The FRC has proposed that the Government give consideration to whether the FRC Chairman should receive some remuneration for his part time services to the FRC. The outcome of this consideration may include a retrospective payment from the date of his appointment on 17 July 2001 to 30 June 2002.

## AUSTRALIAN ACCOUNTING STANDARDS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 1: Summary of significant accounting policies

##### 1.1 Basis of accounting

The financial statements are required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997* and are a general purpose financial report.

The statements have been prepared in accordance with:

- Finance Minister's Orders (being the *Commonwealth Authorities and Companies (Financial Statements 2001-2002) Orders*);
- Australian accounting standards and accounting interpretations issued by the Australian Accounting Standards Board;
- other authoritative pronouncements of the Board; and
- Consensus Views of the Urgent Issues Group.

The statements have been prepared having regard to:

- The Explanatory Notes to Schedule 1 issued by the Department of Finance and Administration; and
- Finance Briefs issued by the Department of Finance and Administration.

The Statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard. Liabilities and assets which are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies (other than remote contingencies).

Revenues and expenses are recognised in the Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

## 1.2 Changes in accounting policy

The accounting policies used in the preparation of these financial statements are consistent with those used in 2001.

## 1.3 Revenue

The revenues described in this Note are revenues relating to the core operating activities of the AASB.

The full amount of the appropriation for outputs for the year is recognised as revenue.

Revenue from the sale of publications is recognised upon the delivery of publications to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Services received free of charge are recognised when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised at their fair value as revenue when the asset qualifies for recognition.

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

## 1.4 Employee entitlements

### (a) Leave

The liability for employee entitlements includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the AASB is estimated to be less than the annual entitlements for sick leave.

The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 2002 and is recognised at its nominal amount.

The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2002. In determining the present value of the liability, the AASB has taken into account attrition rates and pay increases through promotion and inflation.

## Financial report

### *(b) Superannuation*

The AASB sponsors the AASB Superannuation Plan, which provides accumulation benefits to members. The AASB has, for certain employees, guaranteed minimum accumulated balances equivalent to benefits under a defined benefit plan. Vested and accrued benefits of these members as at 30 June 2002 amounted to \$1,692,958 (2001: \$1,382,200) compared to the net market value of attributable assets of \$1,522,728 (2002: \$1,394,674), giving a deficient asset position of \$170,230 (2001: excess \$12,474). A provision for this deficient asset position has been recognised at 30 June 2002 (refer Notes 4A and 7A).

Contributions during the year ended 30 June 2002 on behalf of employees with minimum guaranteed benefits amounted to \$124,019 (2001: \$110,519). Contribution expense represents the annual funding which is determined based on actuarial advice and the provision for the deficient asset position.

### 1.5 Leases

Operating lease payments are expensed on a basis which is representative of the pattern of benefits derived from the leased assets.

### 1.6 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution.

### 1.7 Financial instruments

Accounting policies for financial instruments are stated at Note 18.

### 1.8 Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred to the AASB from other entities.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

### 1.9 Plant and equipment

#### *Asset recognition threshold*

Purchases of plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases less than \$500, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

### Revaluations

Schedule 1 requires that plant and equipment be revalued progressively in accordance with the 'deprival' method of valuation in successive 3-year cycles. No revaluations have yet been made pursuant to this requirement.

### Recoverable amount test

Schedule 1 requires the application of the recoverable amount test to the AASB's non-current assets in accordance with AAS 10 *Recoverable Amount of Non-Current Assets*. The carrying amounts of these non-current assets have been reviewed to determine whether they are in excess of their recoverable amounts. In assessing recoverable amounts, the relevant cash flows have been discounted to their present value.

### Depreciation and amortisation

Depreciable plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the AASB using, in all cases, the straight line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation/amortisation rates (useful lives) and methods are reviewed at each balance date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation and amortisation rates applying to each class of depreciable asset are based on the following useful lives:

	2002	2001
Leasehold improvements	Lease term	Lease term
Plant and equipment	3 to 10 years	3 to 10 years

### 1.10 Taxation

The AASB is exempt from all forms of taxation except fringe benefits tax and the goods and services tax.

### 1.11 Inventories

Inventories held for resale are valued at the lower of cost and net realisable value.

### 1.12 Insurance

The AASB has taken insurance cover considered appropriate through the Government's insurable risk managed fund, called 'Comcover'. Workers compensation is insured through Comcare Australia.

## Financial report

### 1.13 Comparative figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

## Note 2: Economic dependency

The AASB is dependent on appropriations from the Parliament of the Commonwealth and on grants from the States and Territories and from CPA Australia, The Institute of Chartered Accountants in Australia, the National Institute of Accountants and the Australian Stock Exchange, and donations from other entities to carry out its normal activities.

## Note 3: Operating revenues

	2002	2001
	\$	\$
<b>3A. Revenues from Government</b>		
Appropriations	1,500,000	1,500,000
Resources received free of charge	-	2,598
	<u>1,500,000</u>	<u>1,502,598</u>
<b>3B. Sales of publications</b>		
Publications	<u>174,888</u>	<u>226,276</u>
Cost of sales of publications	<u>47,296</u>	<u>75,307</u>
<b>3C. Interest</b>		
Deposits	<u>34,749</u>	<u>22,396</u>
<b>3D. Grants and contributions</b>		
Grants from States and Territories	500,000	500,000
Industry contributions		
CPA Australia	325,000	325,000
The Institute of Chartered Accountants in Australia	325,000	325,000
National Institute of Accountants	100,000	50,000
Australian Stock Exchange	60,000	175,828
	<u>1,310,000</u>	<u>1,375,828</u>

## Note 4: Operating expenses

	2002	2001
	\$	\$
<b>4A. Employee expenses</b>		
Remuneration (for services provided)	1,807,353	1,723,354
Other employee expenses*	372,820	225,596
	<u>2,180,173</u>	<u>1,948,950</u>
* Includes provision for superannuation \$170,230 (2001: Nil) [Note 1.4 (b)]		
<b>4B. Suppliers expenses</b>		
Supply of goods and services *	645,037	666,161
Operating lease rental	98,915	99,717
	<u>743,952</u>	<u>765,878</u>
* Includes \$71,124 (2001 – \$1,248) attributable to the operations of the Financial Reporting Council		

**Note 4: Operating expenses (continued)**

	2002	2001
	\$	\$
<b>4C. Proceeds and expenses from disposal of assets</b>		
Plant and equipment:		
Revenue (proceeds) from sale	16,637	-
Expense from sale	<u>(4,498)</u>	-
Net gain on disposal of plant and equipment	<u>12,139</u>	<u>-</u>
<b>4D. Depreciation and amortisation</b>		
Amortisation of leasehold improvements	93,885	93,824
Depreciation of plant and equipment	<u>46,428</u>	<u>56,165</u>
	<u>140,313</u>	<u>149,989</u>

**Note 5: Financial assets**

	2002	2001
	\$	\$
<b>5A. Cash and Term Deposit</b>		
Cash at bank and on hand	240,030	312,008
Term deposit	<u>624,773</u>	<u>306,716</u>
	<u>864,803</u>	<u>618,724</u>
Balance of cash as at 30 June shown in the Statement of Cash Flows	<u>864,803</u>	<u>618,724</u>
<b>5B. Receivables</b>		
Goods and services	11,670	375
GST receivable	<u>21,397</u>	<u>9,246</u>
	<u>33,067</u>	<u>9,621</u>
Receivables (gross) are aged as follows:		
Not overdue	<u>33,067</u>	<u>9,621</u>

## Note 6: Non-financial assets

	2002	2001
	\$	\$
<b>6A. Leasehold improvements</b>		
Leasehold improvements		
– received free of charge – at fair value	359,659	359,659
Leasehold improvements at cost	3,450	-
Accumulated amortisation	(203,346)	(109,461)
Total Leasehold Improvements	159,763	250,198
<b>6B. Plant and equipment</b>		
Plant and equipment – received free of charge – at fair value	21,714	21,714
Accumulated depreciation	(4,640)	(2,469)
	17,074	19,245
Plant and equipment – at cost	178,824	169,165
Accumulated depreciation	(73,674)	(54,015)
	105,150	115,150
Total plant and equipment	122,224	134,395

### 6C. Analysis of plant and equipment

Table A: Reconciliation of the opening and closing balances of plant and equipment

	Leasehold improvements	Plant and equipment	Total
	\$	\$	\$
Gross value as at 1 July 2001	359,659	190,879	550,538
Additions	3,450	38,755	42,205
Disposals	-	(18,058)	(18,058)
Write-offs	-	(11,038)	(11,038)
Gross value as at 30 June 2002	363,109	200,538	563,647
Accumulated Depreciation/Amortisation as at 1 July 2001	109,461	56,484	165,945
Disposals	-	(13,560)	(13,560)
Depreciation/amortisation charge for the year	93,885	46,428	140,313
Write-offs	-	(11,038)	(11,038)
Accumulated Depreciation/Amortisation as at 30 June 2002	203,346	78,314	281,660
Net book value as at 30 June 2002	159,763	122,224	281,987
Net book value as at 1 July 2001	250,198	134,395	384,593

	2002	2001
	\$	\$
<b>6D. Inventories</b>	3,300	1,952
Inventories held for sale	3,300	1,952

**Note 7: Provisions**

	2002	2001
	\$	\$
<b>7A. Employee provisions</b>	<b>4,340</b>	15,699
Salaries and wages	191,145	194,982
Annual Leave	199,917	153,658
Long Service Leave	170,230	-
Superannuation [Note 1.4 (b)]	565,632	364,339
Aggregate employee entitlement liability		
Employee provisions are categorised as follows:	126,203	210,681
Current	439,429	153,658
Non-current	565,632	364,339

**Note 8: Payables**

	2002	2001
	\$	\$
<b>8A. Suppliers</b>	<b>170,372</b>	152,144
Trade creditors	-	1,080
Operating lease rentals	170,372	153,224

All supplier payables are current.

**Note 9: Equity**

	2002	2001
	\$	\$
Opening balance 1 July	429,868	165,505
Operating result	(29,915)	264,363
<b>Closing balance as at 30 June</b>	<b>399,953</b>	429,868

**Note 10: Non-cash financing and investing activities**

	2002	2001
	\$	\$
Non-current assets received free of charge	-	2,598
Settlement of suppliers	-	115,252
Acquisition of assets – at cost	-	132,196
Transfer of employee statutory entitlements	-	(247,448)
<b>Total non-cash financing and investing activities</b>	<b>-</b>	<b>2,598</b>

## Note 11: Cash flow reconciliation

### Reconciliation of net surplus to net cash

	2002	2001
	\$	\$
Operating (deficit) surplus	(29,915)	264,363
Depreciation and amortisation	140,313	149,989
Gain on sale of plant and equipment	(12,139)	-
Non-current assets received free of charge	-	(2,598)
Changes in assets and liabilities		
Increase in liability to suppliers	17,148	91,820
Increase/(decrease) in subscriptions in advance	(14,767)	78,405
Increase in receivables	(23,446)	(9,619)
Increase in inventory of publications	(1,348)	(1,952)
Increase in prepaid expenses	(5,492)	(10,946)
Increase in employee provisions	201,293	111,442
Net cash provided from operating activities	271,647	670,904

## Note 12: Remuneration of directors

Members of the Financial Reporting Council are the directors of the AASB and act on a remuneration free basis.

## Note 13: Related party disclosures

The Directors and Alternate Directors of the AASB during the period were:

- Jeffrey Lucy, AM (Appointed 6 January 2000, Chairman since 17 July 2001)
  - Stephen Harrison, AO (Alternate to Mr Lucy; appointed 2 October 2000, term expired 17 July 2001)
- Michael Ullmer (Deputy Chairman; appointed 6 January 2000, resigned 15 May 2002)
  - Tom Pockett (Alternate to Mr Ullmer; appointed 2 October 2000, term expired 15 May 2002)
- Elizabeth Alexander, AM
- Don Challen
- Leigh Hall, AM
  - Mark Amour (Alternate to Mr Hall)
- David Jackson

- Charles Macek
- Ian Mackintosh (appointed 13 September 2001, resigned 7 June 2002)
- Graeme McGregor, AO
- Robert Nottle, CBE
- Phillip Prior (appointed 13 September 2001)
  - Jim Kerwin (Alternate to Mr Prior; appointed 13 September 2001)
- Gary Potts (Appointed 6 January 2000, retired 14 February 2002)
  - Veronique Ingram (Alternate to Mr Potts, appointed 6 January 2000, term expired 14 February 2002)

#### Note 14: Remuneration of officers

	2002	2001
	\$	\$
The number of Officers who received or were due to receive total remuneration of \$100,000 or more:		
\$110,001 - \$120,000	1	-
\$200,001 - \$210,000	-	2
\$210,001 - \$220,000	1	-
\$220,001 - \$230,000	1	-
	<u>3</u>	<u>2</u>
The aggregate amount of total remuneration of officers shown above	<u>551,248</u>	<u>416,141</u>

The officer remuneration includes officers concerned with or taking part in the management of the AASB.

#### Note 15: Remuneration of part-time members of the AASB

	2002	2001
	\$	\$
Sitting fees	71,300	79,800

## Note 16: Remuneration of auditors

	2002	2001
	\$	\$
Remuneration to the Auditor-General for auditing the financial statements for the reporting period	8,500	7,800

No other services were provided by the Auditor-General during the reporting period.

## Note 17: Average staffing levels

	2002	2001
	\$	\$
The average staffing levels for the AASB during the year were (equivalent full time staff)	21	21

## Note 18: Financial instruments

### (a) Terms, conditions and accounting policies

Financial Instrument	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instruments (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Term deposit	5A	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	Temporarily surplus funds are placed on deposit at call with the AASB's bank.
Financial liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade creditors	8A	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).	Settlement is usually made net 30 days.

(b) Interest rate risk

Financial (r co is )	No	FI in in		No -in		To		Weighted average	
		-0	68	-0	68	-0	68	-0	%
Cash at Bank	5A\$	62	68			62	68		
Term Deposit	5A\$	-		68		68			n/a
Receivables\$									
Total Financial/Assets (recognised)		863		68		96, 9			
Total Assets\$						99, 95			
Financial Liabilities (recognised)									
Trade creditors	8A\$								n/a\$
Total Financial Liabilities (recognised)									
Total Liabilities						799,64			

(c) The fair value of financial assets and liabilities approximate their carrying amounts.



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## MEMBERS OF THE FRC 1 JULY 2001 TO 30 JUNE 2002

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The Members and Alternate Members were, unless otherwise shown, appointed on 6 January 2000 for a term ending on 31 December 2002. The Chairman, all members and alternates are non-executive directors of the AASB.

### Chairman

Jeffrey Lucy, AM                      Financial Consultant, Adelaide.  
Appointed Chair on 17 July 2001 for 3 years.

### Deputy Chairman

Vacant                                      Held by Michael Ullmer, Group General Manager,  
Financial and Risk Management, Commonwealth  
Bank, Sydney until his resignation on 15 May 2002.  
Nominated by the Business Council of Australia.

### Members

Elizabeth Alexander, AM              Company Director, Melbourne. Nominated by the  
Australian Institute of Company Directors.

Don Challen                              Secretary, Tasmanian Department of Treasury and  
Finance, Hobart.  
Nominated by Heads of State and Territory  
Treasuries.

Leigh Hall, AM                              Company Director, Sydney.  
Nominated by the Investment and Financial Services  
Association.

David Jackson                              Director, Australian Shareholders' Association,  
Sydney.  
Nominated by the Australian Shareholders'  
Association.

## MEMBERS OF THE FRC (CONTINUED)

Charles Macek	During 2000-01 was Chairman, County Investment Management, Melbourne From August 2001, a Company Director, Melbourne. Nominated by the Securities Institute of Australia.
Graeme McGregor, AO	Company Director, Melbourne. Nominated by the Australian Society of Certified Practising Accountants (now known as CPA Australia).
Ian Mackintosh	Chief Accountant, Australian Securities and Investments Commission, and Chairman, Public Sector Committee, International Federation of Accountants. Nominated by ASIC and appointed 13 September 2001. Resigned 7 June 2002.
Robert Nottle, CBE	Until May 2001, held the position of Principal Adviser, Supervision, Australian Stock Exchange. From that date, was Director, ASX Supervisory Review Pty Ltd, Australian Stock Exchange, Melbourne. Nominated by the Australian Stock Exchange.
Gary Potts	Executive Director, Markets Group, Department of the Treasury, Canberra. Nominated by the Commonwealth. Resigned 14 February 2002.
Phillip Prior	First Assistant Secretary, Property Group, Department of Finance and Administration. Appointed 13 September 2001. Nominated by the Commonwealth.

## MEMBERS OF THE FRC (CONTINUED)

### Alternate Members

Mark Armour	Until December 2000 held the position of Chief Executive Officer, Funds Management, AXA Ltd, Melbourne. Became Chief Investment Officer, ANZ Funds Management, Melbourne in January 2001. Nominated by the Investment and Financial Services Association. Appointed as alternate to Mr Hall 19 April 2000; terms ends 31 December 2002.
Stephen Harrison, AO	Chief Executive Officer, The Institute of Chartered Accountants in Australia, Sydney. Nominated by The Institute of Chartered Accountants in Australia. Appointed 2 October 2000 as alternate to Mr Lucy; term ended when Mr Lucy became Chairman 17 July 2001.
Veronique Ingram	General Manager, Corporate Governance and Accounting Policy Division, Department of the Treasury, Canberra. Nominated by the Commonwealth as alternate to Mr Potts. Term ended when Mr Potts resigned on 14 February 2002.
James Kerwin	First Assistant Secretary, Agency Advice Unit, Department of Finance and Administration. Nominated by the Commonwealth. Appointed as alternate to Mr Prior 13 September 2001; term ends 12 September 2004.
Tom Pockett	Deputy Chief Financial Officer, Commonwealth Bank, Sydney. Nominated by the Business Council of Australia. Appointed 2 October 2000 as alternate to Mr Ullmer; term ended when Mr Ullmer resigned 15 May 2002.

## MEMBERS OF THE AASB 1 JULY 2001 TO 30 JUNE 2002

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The following were appointed to the AASB from the dates shown:

### Chairman (full time appointment by the Treasurer)

Keith Alfredson, BCom (Hons), FCA, FCPA, FAICD      Appointed 8 May 2000 for 3 years.

### Members (part-time appointments by the FRC)

Peter Batten, FCPA, FCCA	Group Accounting Advisor, WMC Resources Limited, Melbourne. Retired 14 February 2002.
Wayne Cameron, BCom, FCA (NZ), FCPA, FIPAA	Auditor-General of Victoria. Appointed 7 June 2001 for 3 years.
George W J Carter, FCPA	Department of Finance and Administration, Canberra. Appointed 15 February 2000 for 3 years.
Neil Conn, AO, PhD, MEd, FAICD	Former Under Treasurer and Administrator, Northern Territory, Sydney. Appointed 15 February 2000 for 3 years. Resigned with effect from 11 September 2002.
Brigid Curran, BCom, MFM, FCA, CPA	Financial Reporting Consultant, Melbourne. Appointed 15 February 2000 for 3 years.

## MEMBERS OF THE AASB (CONTINUED)

Judith Downes, BA (Hons), DipEd, GradDip (Acc), CA, FCPA	Head of Finance, ANZ Banking Group, Melbourne Re-appointed 1 March 2002 for 3 years.
Ken Leo, MBA, BCom (Hons), FCPA, CA	Professor of Accounting, Curtin University of Technology, Perth. Appointed 15 February 2002 for 3 years.
Suzanne Lloyd, MCom (Hons), ASA	Director Securitisation, Deutsche Bank AG, Sydney. Appointed 15 February 2002 for 3 years.
Graham Peirson, MEc, FCPA (Deputy Chairman from 5/6/01 to 14/2/02)	Professor of Accounting and Finance, Monash University, Melbourne Retired 14 February 2002.
Ruth Picker, BA, FCA, ASIA (Deputy Chairman from 27/2/02)	Partner, Ernst & Young, Melbourne. Re-appointed 15 February 2002 for 3 years.
Kevin Stevenson, BCom, MBA, FCA	Director, Stevenson McGregor, Melbourne. Appointed 20 December 2000. Resigned 26 October 2001.
Greg Ward, MEc, FCA, ASIA	Chief Financial Officer, Macquarie Bank, Sydney. Appointed 15 February 2000 for 3 years.

## Observers

Ian Mackintosh, BCom, FCPA, CA	Australian representative on the IFAC PSC.
Warren McGregor, MEc, DipEd, FCA, FCPA	IASB Liaison-member.
Tony van Zijl, PhD, BSc, BCA(Hons), FCA, CSAP	Representative of New Zealand Financial Reporting Standards Board

## MEMBERS OF THE UIG

### 1 JULY 2001 TO 30 JUNE 2002

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#### Chairman

Keith Alfredson, BCom (Hons), FCA, FCPA, FAICD	AASB Chairman	Appointed 12 May 2000
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#### Members

James Beecher, BCom, MBA, FCPA, FAICD	Australian Institute of Company Directors	*Term ended 30 June 2002
Judith Downes, BA (Hons), DipEd, GradDip (Acc), CA, FCPA	Group of 100	Retired following appointment to AASB 1 March 2002
Charles Feeney, MA, CA	Ernst & Young	*Term ended 30 June 2002
David Greenall, FCA	Local Government and Not-for-Profit Sector	Term ends 31 December 2002
Chris Hall, BCom(Hons), CA	KPMG	Term ends 30 April 2004
Phil Hancock, BCom (Hons), MCom, FCPA, CA	Not-for-Profit Sector and AAANZ	Term ends 30 April 2004
Ken Leo, MBA, BCom(Hons), FCPA, CA	CPA Public Sector CoE and AAANZ	Retired following appointment to AASB 15 February 2002
Matthew Lunn, BCom, ACA, FAICD	Pricewaterhouse-Coopers	Term ended 30 June 2002
Steve McClintock, BA, FCA	Securities Institute of Australia	Terms ends 30 June 2003

## MEMBERS OF THE UIG (CONTINUED)

Arthur McHugh, BSc(Hons), PhD, BA, FCPA	Australasian Council of Auditors-General	Term ends 31 December 2002
Brian Morris, BA(Acc), FCA	Medium and small accounting firms	+Term ended 30 June 2002
Bruce Porter, FCPA, FICAA	Deloitte Touche Tohmatsu	Term ends 31 December 2002
Keith Reilly, MCom, FCA	Joint Accounting Bodies	++Retired 30 June 2002
Brett Rix, BCom(Hons), FCA	Andersen	Resigned May 2002
Ted Rofe, BA, LL.M., BCom, FCPA, ASIA, ACIS	Australian Shareholders' Association	Term ends 30 April 2004
Geoff Steel, BCom, CA	Group of 100	Term ends 30 April 2004
Mike West, FICAEW	KPMG	Resigned 25 March 2002
Robert Williams, BEc, BA, CA	Heads of Treasuries Accounting and Reporting Advisory Committee	Terms ends 31 December 2002

## Observers

Ian Mackintosh, BCom, FCPA, CA	Chief Accountant, ASIC	Until 7 June 2002
Wayne Lonergan, BEc, FCA, FSIA, FAICD	Australian member on the IASB's IFRIC	From 12 February 2002
*	Reappointed for further term ending 30 June 2004	
+	Succeeded by Trevor Parry, PKF Australia for two-year term ending 30 June 2004	
++	Succeeded by Jim Dixon, CPA Australia for two-year term ending 30 June 2004	

## ATTENDANCE AT MEETINGS

### Financial Reporting Council

The FRC met 4 times during the financial year for a total of 4 meeting days. Members' attendance is shown in the table below:

Members	Number of meetings			Apologies
	Eligible to attend	Attended	Represented by alternate	
J Lucy	4	4	4 <sup>(b)</sup>	
M Ullmer	3	3		
E Alexander	4	4		
D Challen	4	2		2
L Hall	4	1	1	2
D Jackson	4	4		
C Macek	4	4		
G McGregor	4	2	2 <sup>(a)</sup>	2
I Mackintosh	4	3	1 <sup>(a)</sup>	
R Nottle	4	2	1 <sup>(a)</sup>	1
G Potts	2	2	1 <sup>(c)</sup>	1 <sup>(c)</sup>
P Prior	4	4		

Notes:

- (a) Informal alternate attended with agreement of the Chairman or Deputy Chairman.
- (b) Pending the appointment of a nominee to replace Mr Lucy after he was made Chairman, The Institute of Chartered Accountants was represented by Mr Robert Wylie (informal nominee, 2 meetings) and Mr Stephen Harrison (informal nominee, 2 meetings)
- (c) Pending the appointment of a nominee to replace Mr Potts, Treasury was represented by two informal nominees: Mr Rob Heferen (1 meeting) and Mr Nigel Ray (1 meeting, apology)

## FRC Nominations Committee

The FRC Nominations Committee held one meeting during the financial year. Members' attendance is shown in the table below:

Members	Number of meetings			Apologies
	Eligible to attend	Attended	Represented by alternate	
M Ullmer (Chair)	1	1		
K Alfredson	1	1		
D Challen	1	1		
R Nottle	1	0	1(a)	1
P Prior	1	1		

Notes:

(a) Informal alternate attended with agreement of the Chair.

Mr Robert Wylie attended 1 meeting on an informal basis.

## AASB Audit Committee

The AASB Audit Committee met twice during the financial year. Members' attendance is shown in the table below:

Members	Number of meetings		Apologies
	Eligible to attend	Attended	
E Alexander, AM (Chair)	2	2	
G McGregor	2	1	1
R Nottle	2	2	

## Appendix D: Attendance at meetings

### Australian Accounting Standards Board

The AASB met 13 times during the financial year for a total of 20 meeting days. Members' attendance is shown in the table below:

Members	Number of days eligible to attend	Number of days attended	Apologies (days)
K Alfredson	20	20	0
P A Batten	10	9	1
W Cameron	20	19	1
G W J Carter	20	20	0
N Conn	20	15	5
B T Curran	20	20	0
J Downes	8	7	1
K Leo	10	9	1
S Lloyd	10	10	0
G Peirson	10	10	0
R Picker	20	18	2
K Stevenson	6	3	3
G C Ward	20	14	6

## Urgent Issues Group (UIG)

The UIG met 8 times during the financial year. Members' attendance is shown in the table below:

Members	Number of days eligible to attend	Number of days attended	Alternate attended	Apologies (days)
K Alfredson	8	6	0	2
J Beecher	8	4	4	4
J Downes	5	4	0	1
C Feeney	8	7	1	1
D Greenall	8	8	0	0
C Hall	2	2	0	0
P Hancock	2	2	0	0
K Leo	5	5	0	0
M Lunn	8	8	0	0
S McClintock	8	5	0	3
A McHugh	8	8	0	0
B Morris	8	4	0	4
B Porter	8	8	0	0
K Reilly	8	5	3	3
B Rix	7	6	0	1
E Rofe	8	7	1	1
G Steel	2	2	0	0
M West	6	3	2	3
R Williams	8	8	0	0

## PROGRESS MADE ON 2001-02 WORK PROGRAM

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### Highest priorities

FRC approved plan	Output to 30 June 2002
New and revised standards under the international harmonisation program on:	
Provisions, contingent liabilities and contingent assets (finalisation of standard)	AASB 1044 issued October 2001.
Impairment of assets (including consideration of responses to Exposure Draft ED 99 issued December 1999)	Responses did not support ED 99 proposals. ED 104, reflecting requirements of IAS 36 adjusted to include requirements relating to not-for-profit entities, issued March 2002.
Investment property (issue of exposure draft)	Exposure Draft ED 103 reflecting IAS 40 issued December 2001. Comment period closed 31 March 2002. Twenty-nine responses were received.
Other new and revised standards:	
Revaluation of Non-Current Assets (limited amendments arising from Exposure Draft ED 101)	Revised AASB 1041 issued July 2001.
Public Infrastructure Disclosures (including consideration of responses to Exposure Draft ED 100)	Project is being progressed in association with HOTARAC – PPPI Sub-committee. An AASB project manager appointed to that Sub-committee. Sub-committee is considering recognition as well as disclosure.
Related Parties and Director and Executive Disclosures (issue of exposure draft and finalisation of revised standards)	ED 106 'Director, Executive and Related Party Disclosures' issued in May 2002 for comment by 30 September 2002. ED 106 relates solely to Corporations Act entities.
The preparation of an issues paper dealing with the recognition and measurement of intangible assets, including goodwill. The objective is to obtain input from constituents on key issues. An exposure draft will be issued in conjunction with the IASB's first phase project on Business Combinations. This project includes issues relating to acquired intangible assets.	Staff paper placed on web-site prior to the AASB December meeting. Field-testing of FASB approach conducted with seven companies in conjunction with G100. Results of field testing provided to IASB. IASB Business Combinations (Phase I) project is being closely monitored. IASB tentative decisions are being routinely considered by Board. AASB's tentative views communicated to IASB. An Australian exposure draft will be issued in conjunction with IASB exposure draft on Business Combinations, Intangible Assets and Impairment of Assets via a 'wrap-around'. Timetable is dependent on IASB, but is anticipated to be 4 <sup>th</sup> quarter 2002.

## Highest priorities (continued)

FRC approved plan	Output to 30 June 2002
<p>Reconciliation of government general purpose financial reporting with government financial statistics. The objective is to determine whether or not such a reconciliation should form part of general purpose financial reports and if so, whether such inclusion is presently feasible.</p>	<p>Project is being advanced in association with a HOTARAC Sub-committee. A Board member has been appointed to act as the Board's representative on the Sub-committee. An AASB senior project Manager is providing technical support. HOTARAC's recommendations are scheduled to be submitted to AASB by 3<sup>rd</sup> quarter 2002.</p>
<p>Study of the reporting issues relating to dual-listed entities and consideration of an exposure draft.</p>	<p>Issues paper presented to the December meeting of the AASB and recommendations approved. An 'international' version provided to the IASB staff. The IASB has now included accounting for such entities in its Business Combinations Phase II project.</p>
<p>Study of responses to the Invitation to Comment on the Joint Working Group Draft Standard on <i>Accounting for Financial Instruments and Similar Items</i>, in conjunction with other national standard setters and the International Accounting Standards Board. As an immediate measure the Board will issue an exposure draft based on the International Standard IAS 39 <i>Financial Instruments: Recognition and Measurement</i>, in conjunction with the IASB's priority project on improvements to that standard.</p>	<p>No action by AASB. AASB has received a summary of global responses prepared by the CICA (on behalf of the IASB). There are 30 Australian responses.</p> <p>In June 2002, the AASB issued an Invitation to Comment on the IASB's proposed improvements IAS 32 <i>Financial Instruments: Disclosure and Presentation</i> and IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. Comments are due by mid-September 2002 to enable the AASB to have the benefit of Australian constituents' views in making its own comments on the IASB's ED to improve IAS 32 and IAS 39 by mid-October.</p>

## Other projects

FRC approved plan	Output to 30 June 2002
<p>IASB Convergence and Standards Improvement Projects. The Board's intention is to take a lead role on a limited number of appropriately prioritised IASB projects, as well as a supporting or monitoring role on others. The AASB will need to keep abreast of the work of the IASB on an ongoing basis in view of its harmonisation policy. To assist in this project, AASB staff will publish a 'Convergence Handbook' comparing AASB standards with International Standards.</p>	<p>Share-based payments:</p> <p>Letter issued to subscribers concerning the IASB's project on Share-based payments and the re-opening of the G4+1 Proposals for comment until 15 December 2001. IASB has posted responses in IASB website. AASB is monitoring IASB progress.</p> <p>Preface to International Financial Reporting Standards — IASB Exposure Draft:</p> <p>IASB exposure draft placed on web-site with a request that Australian respondents send copies of responses to both the IASB and AASB. AASB submitted a response to the IASB, after considering Australian responses.</p> <p>'The Australian Convergence Handbook' published February 2002.</p> <p>Input provided to UK ASB on case studies relating to 'control' consolidation model for IASB's Business Combination Phase II project.</p>

## Appendix E: Progress made on 2001-02 work program

### Other projects (continued)

FRC approved plan	Output to 30 June 2002
Post-employment benefits. Consideration of issues as an IASB convergence project.	<p>Participated in meetings of 'revaluation' standard-setters relating to revaluation of non-current assets. The September 2001 meeting was held in connection with the IASB meeting of chairmen of liaison standard-setters. A further meeting was held in Auckland in March 2002.</p> <p>In May 2002, the AASB issued an Invitation to Comment on proposed improvements to 12 existing IASB standards. Comments are due by mid-August 2002 to enable the AASB to have the benefit of Australian constituents' views in making its own comments on the IASB's ED to improve various IASs by mid-September.</p>
Finalising a report on the issues relating to the valuation and accounting for land under roads. The objective is to provide input to the Board to assist its deliberations on whether to retain the requirements of AAS 27 <i>Financial Reporting by Local Governments</i> , AAS 29 <i>Financial Reporting by Government Departments</i> , and AAS 31 <i>Financial Reporting by Governments</i> which presently require the recognition of land under roads, following the expiration of transitional provisions in 31 December 2002.	<p>The AASB and the IASB have agreed to jointly conduct a review of the requirements in IAS 19 <i>Employee Benefits</i> relating to defined benefit plans.</p> <p>Report placed on web-site prior to November AASB meeting. The AASB consulted further with entities that have already recognised land under roads concerning, inter alia, measurement methods adopted and the costs and benefits such entities attribute to the recognition of land under roads. The AASB has agreed that the option to recognise or not recognise land under roads be extended until there is greater international convergence on the recognition and measurement of land under roads by public sector entities. A Standard formalising this decision will be issued in the 3<sup>rd</sup> quarter of 2002.</p>
Review and updating of Accounting Standards AAS 27 <i>Financial Reporting by Local Governments</i> , AAS 29 <i>Financial Reporting by Government Departments</i> and AAS 31 <i>Financial Reporting by Governments</i> .	<p>HOTARAC's broad recommendations concerning AAS 29 and AAS 31 have been received. Issues paper is in process of preparation by AASB staff for consideration by AASB. Further HOTARAC papers are expected on specific issues.</p> <p>The AASB considered papers on AAS 27 and agreed to propose a slimmed-down version of AAS 27, removing material dealt with adequately in other Standards.</p>
Superannuation plans (revision and updating of AAS 25 <i>Financial Reporting by Superannuation Plans</i> ) and managed investment schemes. AAS 25 is in need of revision and updating. Managed investment schemes are being considered in conjunction with superannuation plans given the interrelationship between superannuation plans and managed investments.	<p>The ICAA Superannuation Working Party presented its recommendations to the AASB at its December meeting. AASB requested AASB staff to prepare a key issues paper to assist in its deliberations on the Working Party's recommendations.</p> <p>AASB staff are to prepare a paper on issues relating to managed investment schemes.</p>
Not-for-Profit entities. A contractor has submitted an incomplete discussion paper identifying major issues in financial reporting by not-for-profit entities, including matters that may be dealt with in an accounting standard. The Board will examine the report and the desirability of issuing an accounting standard on the topic.	<p>No progress. The project has been transferred to the 2002-2003 work program.</p>

## Other projects (continued)

FRC approved plan	Output to 30 June 2002
Review of Accounting Standard AASB 1015 <i>Acquisition of Assets</i> in view of the Senate's disallowance of paragraphs 6.3 and 6.4.	The AASB has resolved to align its work program on this issue with that of the IASB. The IASB intends to consider restructuring of controlled entities in its Business Combinations Phase II project.

## Unplanned work

Review of issues arising out of first time implementation of 'Trilogy' Accounting Standards (AASB 1018/AAS 1 'Statement of Financial Performance'; AASB 1040, AAS 36 'Statement of Financial Position'; and AASB 1034, AAS 37 'Financial Report Presentation and Disclosures').	The AASB requested submissions on issues in September 2001. The AASB considered the submissions received and in April 2002 issued ED 105 proposing amendments to address certain issues raised. AASB 1018 was reissued in June 2002. Proposed changes to the other Trilogy Standards have been deferred and will be addressed as part of the 2002-2003 International Convergence and Harmonisation program.
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## AASB WORK PROGRAM 2002-03

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The AASB's standard setting work program for the year to 30 June 2003 has been approved by the FRC.

### CONTINUING PROJECTS

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Project	AASB proposed actions
<i>Outstanding AASB exposure drafts</i>	
ED 103 Investment Property (comment period closed 31 March 2002)	Issue new Standard
ED 104 Impairment of Assets (comment period has been extended to align with proposed Business Combinations ED comment period deadline)	Issue new Standard
ED 106 Director, Executive and Related Party Disclosures (comment period closes 30 September 2002)	Issue amended Standards
<i>Outstanding invitations to comment</i>	
Proposed Improvements to IASs and their Impact on Australian Standards. Proposals relate to:	
IAS 1 Presentation of Financial Statements	Review responses to Invitation to Comment
IAS 2 Inventories	Make AASB submissions to IASB on proposals
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Monitor responses to IASB Exposure Draft
IAS 10 Events after Balance Date	Monitor IASB deliberations and outcomes and make further submissions to IASB if considered appropriate
IAS 16 Property, Plant and Equipment	Identify remaining IASB/AASB non-conformities and consider appropriate actions to remove non-conformities
IAS 17 Leases	Issue AASB Standards incorporating amended IASs (timing may extend beyond 30 June 2003)
IAS 21 The Effects of Changes in Foreign Exchange Rates	
IAS 24 Related Party Disclosures	
IAS 27 Consolidated Financial Statements and Accounting for Investments in Subsidiaries	
IAS 28 Accounting for Investments in Associates	
IAS 33 Earnings per Share	
IAS 40 Investment Property	

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CONTINUING PROJECTS (CONTINUED)

Project	AASB proposed actions
<i>Outstanding invitations to comment</i>	
IAS 32 Financial Instruments: Disclosures and Presentation	
IAS 39 Financial Instruments: Measurement and Recognition	
<i>Other international convergence and harmonisation projects</i>	
Business Combinations Phase I incorporating goodwill and other intangibles	<p>Issue AASB exposure drafts comprising IASB exposure draft and wrap-around identifying the impact the proposals would have on existing Australian Standards.</p> <p>Review responses to AASB exposure draft.</p> <p>Make AASB submission to IASB on proposals.</p> <p>Monitor IASB developments.</p>
Share-based payments	<p>Monitor IASB deliberations and outcomes.</p> <p>Issue exposure draft in conjunction with IASB.</p>
Post-employment benefits	<p>Take joint role in association with IASB to improve IAS 19 as a convergence project in relation to Post-employment Benefits: Defined Benefit Plans.</p> <p>Prepare issues papers and present to IASB and AASB.</p> <p>Prepare IASB and AASB exposure drafts for consideration by Boards.</p> <p>Issue AASB Exposure Draft.</p>
<i>Public sector specific projects</i>	
Public Infrastructure Recognition, Measurement and Disclosures	<p>Consider issues and recommendations in report of HOTARAC Private Provision of Public Infrastructure Sub-Committee.</p> <p>Consider possible relevance of IASB project on Derecognition.</p> <p>Issue Exposure Draft.</p>

## Appendix F: AASB work program 2002-2003

Project	AASB proposed actions
GPFR/GFS Comparison	Consider forthcoming report and recommendations on Harmonisation of Public Sector Financial Reporting Requirements working party Issue Exposure Draft (if considered a justifiable option)
Land Under Roads	Issue amendments to AAS 27, AAS 29 and AAS 31
Review of AAS 27 Financial Reporting by Local Governments	Consider issues raised in submissions requested from key constituents Issue exposure draft of amendments
Review of AAS 29 Financial Reporting by Government Departments	Consider issues raised in existing and forthcoming HOTARAC reports Issue exposure draft of amendments
Review of AAS 31 Financial Reporting by Governments	Consider issues raised in existing and forthcoming HOTARAC reports Issue exposure draft of amendments
<i>Other national projects</i>	
Review of AAS 25 Financial Reporting by Superannuation Plans	Consider issues paper Issue exposure draft of amendments
Managed Investment Schemes	Consider issues relating to Managed Investment Schemes and determine whether an industry specific standard is an appropriate justifiable option
Not-for-Profit Entities	Consider issues relating to Not-for-profit entities (especially public fund raising charities) and determine whether a specific standard is a justifiable option

## NEW PROJECTS — INTERNATIONAL CONVERGENCE AND HARMONISATION

Project	AASB proposed actions
<i>International accounting standards board</i>	
Reporting performance	Participate via monitoring and other processes in accordance with PS 4 'International Convergence and Harmonisation Policy'
Business Combinations, Application of the Purchase Method	
Consolidation Policy and special purpose entities	
Revaluations (including fair value/deprival value comparison) (convergence topic)	
First-Time Application of International Financial Reporting Standards	
Activities of Financial Institutions: Disclosures and Presentation	
Insurance Contracts	
Concepts — revenue, liabilities and equity	
Other Convergence projects, as decided by IASB	
<i>IFAC public sector committee</i>	
Budgetary Reporting	Participate via monitoring and other processes in accordance with PS 4 'International Convergence and Harmonisation Policy'
Non-Reciprocal Revenue	
Social Policy Obligations	

## Research project

Co-sponsorship of a research study into the current practices in the major financial centres concerning the appropriateness of the Australian statutory requirement to present a full parent entity financial report with a group's consolidated financial report in the entity's annual financial report. Issues to be examined include the existence or otherwise of legislation that controls such practices, the relevance of parent entity financial reports, including their usefulness to financial analysts, investors and other users of annual financial reports, and the available alternatives.

# AASB AND UIG PRONOUNCEMENTS TO 30 JUNE 2002

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## STATEMENTS OF ACCOUNTING CONCEPTS

No	Title	Issued (re-issued#)
SAC 1	Definition of the reporting entity	8/90
SAC 2	Objective of general purpose financial reporting	8/90
SAC 3	Qualitative characteristics of financial information	8/90
SAC 4	Definition and recognition of the elements of financial statements	# 3/95

## Policy statements

No	Title	Issued (re-issued#)
PS 1	The development of statements of accounting concepts and accounting standards	7/93
PS 2	The AASB Consultative Group	# 6/01
PS 3	AASB Project Advisory Panels	# 6/01
PS 4	International convergence and harmonisation policy	# 4/02
PS 5	The nature and purpose of statements of accounting concepts	# 7/01

## AASB and AAS-series accounting standards

AASB series	AAS series	Title	Issued (re-issued#)
1001	6	Accounting policies	# 3/99
1002	8	Events occurring after reporting date	# 10/97
1004	15	Revenue	# 6/98
1005	—	Segment reporting	#8/00
1006	19	Interests in joint ventures	# 12/98
1008	17	Leases	# 10/98
1009	11	Construction contracts	# 12/97
1010	10	Recoverable amount of non-current assets	# 12/99
1011	13	Accounting for research and development costs	5/87
1012	—	Foreign currency translation	#11/00
1013	18	Accounting for goodwill	# 6/96
1014	23	Set-off and extinguishment of debt	# 12/96
1015	21	Acquisitions of assets	# 11/99
1016		Accounting for investments in associates	# 8/98
	14	Accounting for investments in associates	5/97
1016A	—	Amendments to accounting standard AASB 1016	10/98
1017		Related party disclosures	# 2/97
	22	Related party disclosures	5/93
1018	—	Statement of financial performance	# 6/02
1019	2	Inventories	# 3/98
1020	3	Income taxes	# 12/99
1020A	—	Amendments to accounting standard AASB 1020 and Australian accounting standard AAS 3	# 6/02
1021	4	Depreciation	# 8/97
1022	7	Accounting for the extractive industries	10/89
1023	26	Financial reporting of general insurance activities	# 11/96
1024	24	Consolidated accounts	# 5/92
1025	—	Application of the reporting entity concept and other amendments	7/91

## AASB and AAS-series accounting standards (continued)

AASB series	AAS series	Title	Issued (re-issued#)
1026	28	Statement of cash flows	# 10/97
1027	—	Earnings per share	# 6/01
1028	—	Employee benefits	# 6/01
1029	—	Interim financial reporting	#10/00
1030	—	Application of accounting standards to financial year accounts and consolidated accounts of disclosing entities other than companies	12/94
1031	5	Materiality	9/95
1032	32	Specific disclosures by financial institutions	12/96
1033	33	Presentation and disclosure of financial instruments	# 10/99
1034	37	Financial report presentation and disclosures	# 10/99
1036	34	Borrowing costs	12/97
1037	35	Self-generating and regenerating assets	8/98
1037A	35A	Amendments to accounting standard AASB 1037	7/99
1038	—	Life insurance business	11/98
1039	—	Concise financial reports	# 6/02
1040	36	Statement of financial position	10/99
1041	—	Revaluation of non-current assets	#7/01
1042	—	Discontinuing operations	8/00
1043	—	Changes to the application of AASB and AAS standards and other amendments	12/00
1044	—	Provisions, contingent liabilities and contingent assets	10/01
—	25	Financial reporting by superannuation plans	3/93
—	27	Financial reporting by local governments	# 6/96
—	27A	Amendments to the transitional provisions in AAS 27	12/99
—	29	Financial reporting by government departments	# 6/98
—	29A	Amendments to the transitional provisions in AAS 29	12/99
—	31	Financial reporting by governments	6/98
—	31A	Amendments to the transitional provisions in AAS 31	12/99

+ The AASB policy is to amalgamate the two series of standards and issue a single series of AASB standards.

## ACCOUNTING INTERPRETATIONS

No	Title	Issued
AI 1	Amortisation of identifiable intangible assets	6/99

## UIG ABSTRACTS

Abstract	Title	Issued (re-issued#)
1	Lessee accounting for surplus leased space under a non-cancellable operating lease	6/95
2	Accounting for non-vesting sick leave	6/95
3	Lessee accounting for lease incentives under a non-cancellable operating lease	8/95
4	Disclosure of accounting policies for restoration obligations in the extractive industries	8/95
6	Accounting for acquisitions — deferred settlement of cash consideration	12/95
7	Accounting for non-current assets — derecognition of intangible assets and change in the basis of measurement of a class of assets	3/96
8	Accounting for acquisitions — recognition of restructuring costs as liabilities	6/96
9	Accounting for acquisitions — recognition of acquired tax losses	6/96
10	Accounting for acquisitions — gold mining companies	11/96
11	Accounting for contributions of, or contributions for the acquisition of, non-current assets	12/96
12	Accounting for the costs of modifying computer software for the year 2000	4/97
13	The presentation of the financial report of entities whose securities are 'stapled'	#5/00
14	Directors' remuneration	6/97
15	Early termination of foreign currency hedges	#12/00
16	Accounting for share buy-backs	1/98
17	Developer and customer contributions in price regulated industries	5/98
18	Early termination of gold hedges	#12/00
19	The superannuation contributions surcharge	7/98
20	Equity accounting — elimination of unrealised profits and losses on transactions with associates	10/98
21	Consistency — different cost formulas for inventories	10/98
22	Accounting for the buy-back of no par value shares	11/98
23	Transaction costs arising on the issue or intended issue of equity instruments	#6/00
24	Equity accounting — carrying amount of an investment in an associate	11/98

UIG ABSTRACTS (CONTINUED)

Abstract	Title	Issued (re-issued#)
25	Redesignation of hedges	#12/00
26	Accounting for major cyclical maintenance	6/99
27	Designation as hedges — sold (written) options	7/99
28	Consolidation – special purpose entities	7/99
29	Early termination of interest rate swaps	#12/00
30	Depreciation of long-lived physical assets, including infrastructure assets: condition-based depreciation and other related methods	1/00
31	Accounting for the Goods and Services Tax (GST)	1/00
32	Designation as hedges — rollover strategies	#12/00
33	Hedges of anticipated purchases and sales	5/00
34	Acquisitions and goodwill — first-time application of accounting standards	6/00
35	Disclosure of contingent liabilities	8/00
36	Non-monetary contributions establishing a joint venture entity	12/00
37	Accounting for website costs	1/01
38	Contributions by owners made to wholly-owned public sector entities	1/01
39	Effect of tax consolidation proposals on deferred tax balances	7/01
40	Non-reciprocal transfers within an economic entity for monetary or no consideration	9/01
41	Fair value of equity instruments issued as purchase consideration	9/01
42	Subscriber acquisition costs in the telecommunications industry	10/01
43	Classification of financial instruments with conversion options	11/01
44	Acquisition of In-process research and development	3/02
45	Subsidiary becomes a joint venture entity or an associate	4/02
46	Initial foreign currency translation for redomiciled entities	4/02
47	Professional indemnity claims liabilities in medical defence organisations	6/02