



Subject: Minutes of the 174th meeting of the AASB
Venue: Karstens, Level 3, 123 Queen Street, Melbourne
Time(s): Day 1 – Thursday, 5 March 2020, 9.30 – 4.05pm
Day 2 – Friday, 6 March 2020, 9.00 – 2.45pm

All agenda items except items 1, 9, 10, 15 and 16 were discussed in public. There was no agenda item 12.

Attendance

Members	Kris Peach (Chair) Mike Blake (Deputy Chair) Peter Gibson James Grant David Holland Ken Liow Carmen Ridley Paul Rogers Stephen Taylor Alison White (teleconference)
Apologies	Kimberley Crook
<i>In attendance</i>	
Staff	Clark Anstis (in part) Patricia Au James Barden (in part) Kimberley Carney (in part) Fridrich Housa Kala Kandiah Akaash Kumar Ao Li Tom Liassis (in part) Meina Rose (in part) Helena Simkova Justin Williams (in part) Kathy Xu (in part)
Other	Jim Paul – agenda item 11



Agenda and Chair's Report – Day 1

Agenda Item 1

The Chair noted the significant items on the agenda for day 1 and provided the Board with an update on recent and future activities and the work plan.

Apologies, Declarations of Interest, Minutes and Approvals Out of Session

Agenda Item 2

Apologies

Apologies were noted from Kimberley Crook.

Declarations of Interest

Members indicated that, in the normal course of their day-to-day professional responsibilities, they deal with a broad range of financial reporting issues. Members have adopted the standing policy in respect of declarations of interest that a specific declaration will be made where there is a particular interest in an issue before the Board.

A specific declaration was noted from Peter Gibson in respect of Fair Value Measurement for NFP Entities (agenda item 11).

Minutes

The Board approved the minutes of the one hundred and seventy-third meeting, held on 21 November 2019.

Approvals Out of Session

The Board noted that the following Amending Standards had been voted on and approved out of session since the last meeting:

- *AASB 2019-6 Amendments to Australian Accounting Standards – Research Grants and Not-for-Profit Entities;*
- *AASB 2019-7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations; and*
- *AASB 2019-8 Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases.*

ED 297 Removal of SPFS and ED 295 GPFS – Simplified Disclosures for FP and NFP Tier 2 Entities

Agenda Items 3 and 14

The Board decided that the following for-profit private sector entities will no longer be able to prepare Special Purpose Financial Statements (SPFS) for reporting periods beginning on or after 1 July 2021:



- entities preparing financial statements under Part 2M.3 of the *Corporations Act 2001* including large proprietary companies (including grandfathered entities), unlisted public companies (other than companies limited by guarantee), small foreign-controlled companies, financial services licensees and small proprietary companies with crowd-sourced funding;
- co-operatives and mutuals and others required by legislation to prepare financial statements that comply with either Australian Accounting Standards (AAS) or accounting standards (AS);
- trusts, partnerships and joint arrangements whose constituting document or another document requires the preparation of financial statements that comply with AAS, provided the relevant document was created or amended in any way on or after 1 July 2021; and
- other for-profit entities (whether private sector or public sector) that elect to prepare general purpose financial statements (GPFS).

A revised Tier 2 GPFS framework, Australian Accounting Standards – Simplified Disclosures (SDS), will replace the current Reduced Disclosure Requirements (RDR) with the same effective date (1 July 2021). Affected entities no longer able to prepare SPFS and those not-for-profit entities in either the private sector or the public sector currently preparing GPFS in accordance with the RDR framework will transition to SDS. Transitional relief from restating comparative information is available only if an entity chooses to apply the requirements early. Not-for-profit entities that prepare SPFS are not affected, but their continued ability to prepare SPFS will be considered as part of the forthcoming Australian Financial Reporting Framework project for not-for-profit private sector entities.

For-profit entities that are not required to prepare GPFS, such as for-profit public sector entities, but voluntarily elect to prepare GPFS will be required to apply the revised *Conceptual Framework for Financial Reporting*.

Additional disclosures for for-profit entity SPFS

As a consequence of the deferral of the effective date, the Board decided that in order to protect the use of "Australian Accounting Standards in financial statements", for-profit private sector entities that continue to prepare SPFS (e.g. those transitioning to GPFS at 30 June 2021, and trusts that have not created or amended their trust deed or other relevant document on or after 1 July 2021 and therefore are not required to transition to GPFS) will be required to make disclosures about their compliance with the recognition and measurement (R&M) requirements in AAS, including consolidation and equity accounting, as proposed by ED 293 *Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Compliance with Recognition and Measurement Requirements*. The Board will consider this further in subsequent meetings.

Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities

The Board decided the following changes from ED 297 *Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*:

- to defer the effective date to annual reporting periods beginning on or after 1 July 2021, with transitional relief from restating comparative information available only to entities that elect to early adopt;



- extend transitional relief for early adoption to entities that have previously prepared SPFS and complied with all recognition and measurement (R&M) requirements. Such entities do not need to present comparative information for those disclosures that they had not previously made;
- entities applying the transitional relief for early adoption will be required to disclose the comparative-period statement of financial position as per their latest SPFS, consistent with presentation of the unadjusted statement of profit or loss, other primary financial statements and the notes; and
- entities applying the transitional relief for early adoption are required to disclose a reconciliation of equity from the latest SPFS to the adjusted opening balances.

In addition, the Board decided to not require an entity to distinguish the correction of prior period errors from changes in accounting policies in the year of transition as a practical expedient to achieve consistent, comparable, transparent and enforceable financial reporting in a timely manner.

General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

A few minor amendments to the ED 295 proposals were decided at the Board meeting, including:

- aligning the presentation and disclosure requirements for assets and liabilities classified as held for sale or in a discontinued operation with those required under full Australian Accounting Standards;
- removing disclosures that are not required under full IFRS Standards and that had been removed from full IFRS Standards since the original *IFRS for SMEs* Standard had been finalised;
- adding the disclosure of a numerical tax reconciliation consistent with the requirements in AASB 112 *Income Taxes* as the Board considered income tax a matter of major public interest;
- adding the disclosure of imputation credits in line with paragraphs 12-15 of AASB 1054, on the basis that this is an Australian-specific issue; and
- retaining specific transition disclosures where an entity selects a transition option under another Standard which has specific transition disclosure requirements.

While some stakeholders had suggested deferring the mandatory date of the Standard for not-for-profit entities possibly until the not-for-profit and public sector financial reporting frameworks have been finalised, the Board decided against different application dates to avoid the confusion for users that would come from having two Tier 2 reporting frameworks in operation at the same time. Instead, the Board will provide education material to make adoption of the Standard easier for any entities that are currently reporting under Australian Accounting Standards – Reduced Disclosure Requirements.

The Board voted to make two Standards, based on revised drafts: (1) an amending Standard *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* and (2) a principal Standard *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.



The Board decided that the Basis for Conclusions (BC) for the removal-of-SPFS Standard will be finalised by the Chair and the BC for the Tier 2 Standard will be finalised by a Board subcommittee.

Action:	Staff
	Chair
	Board subcommittee

Presentation from Stephen Taylor, UTS

Agenda Item 4

Stephen Taylor, Board member and Professor of financial accounting at University of Technology Sydney presented to the Board on “How Informative are Australian Firms’ Earnings Releases?” The Board discussed how it can demonstrate that external financial reporting is not being made less useful by standard-setting developments and how it could measure whether financial reporting is timely and useful.

IPSASB Update

Agenda Item 5

The Board noted the report on the IPSASB’s December 2019 meeting and in particular that the IPSASB approved Exposure Drafts on revenue with and without performance obligations and on transfer expenses for issue in February 2020.

Classification of Liabilities as Current or Non-Current

Agenda Item 6

The Board voted to make an amending Standard *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*, which is the Australian equivalent of the recently issued IFRS Standard (Amendments to IAS 1). The amendments clarify that in order to classify a liability as non-current, the entity has to have the right to defer settlement of the liability for at least 12 months after the reporting period.

Action:	Staff
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International Documents Open for Comment

Agenda Item 7

The Board decided to:

- perform targeted outreach to collect feedback from stakeholders and prepare a submission to the IASB on the forthcoming Goodwill and Impairment Discussion Paper (expected in March 2020);



- perform targeted outreach to collect feedback from stakeholders on the forthcoming ED on IBOR reform (expected in April 2020) and prepare a submission to the IASB if any issues are identified; and
- not respond on the IASB's Request for Information relating to its Comprehensive Review of the *IFRS for SMEs* Standard.

Action: Staff
Chair

Other Business – Public

Agenda Item 8

The Board decided to:

- issue guidance relating to disclosures of reverse factoring transactions; and
- work jointly with the New Zealand Accounting Standards Board (NZASB) to collect feedback from users of financial statements on audit fee disclosures.

Action: Staff
Chair

Other Business – Private

Agenda Item 9

The Board considered materials provided under this agenda item. No decisions were made.

Agenda and Chair's Report – Day 2

Agenda Item 10

The Chair noted the significant items on the agenda for day 2, including the tabled draft of the AASB-AUASB's Joint FAQ *The Impact of Coronavirus on Financial Reporting and the Auditor's Considerations*.

Fair Value Measurement for NFP Entities

Agenda Item 11

The Board noted information obtained during staff's consultations with stakeholders since its November 2019 meeting and asked staff to consult further with stakeholders to understand:

- the methodologies currently applied in measuring the fair value of restricted land and buildings and how those methodologies relate to the concept of 'service potential' adopted in the AASB



Conceptual Framework, AASB 136 Impairment of Assets and AASB 1059 Service Concession Arrangements: Grantors;

- when measuring the fair value of restricted land, what the discount to the current market buying price of equivalent (e.g. adjoining) land is intended to represent, and why the same discount is not applied to the current market buying price of any restricted buildings and other improvements on that land;
- users' needs in respect of how fair value is measured in the financial statements of public sector not-for-profit entities and the extent of change and associated cost that would be involved in implementing the Board's current tentative proposals; and
- the methodologies applied in measuring the current value of restricted assets by public sector entities in other jurisdictions (e.g. in New Zealand and the United Kingdom), and their differences from the methodologies currently applied in Australia.

The Board also considered a revised draft approach for measuring the fair value of right-of-use assets arising under concessionary leases, which was developed in light of stakeholders' feedback on an initial draft approach. The Board tentatively agreed with the revised draft approach and instructed staff to obtain feedback from the Project Advisory Panel, valuers and other stakeholders on the revised draft approach and report back at a future meeting for Board deliberation.

Concessionary leases of private sector not-for-profit entities

The Board reaffirmed its intention to continue permitting private sector not-for-profit entity lessees to initially measure their right-of-use assets arising under concessionary leases at cost or fair value (i.e. the temporary relief from using fair value granted through AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities*) at least until the financial reporting framework for private sector not-for-profit entities has been finalised.

Action:

Staff

ED 291 Not-for-Profit Entity Definition and Guidance

Agenda Item 13

The Board decided to proceed with the not-for-profit (NFP) entity definition proposed in ED 291, with amendments to the implementation guidance to clarify that an entity is a NFP entity for financial reporting purposes if it is a NFP entity for taxation purposes, unless its primary purpose is for the financial benefit of its equity holder(s) – subject to further clarification of the terms used in the implementation guidance and illustrative examples.

The Board decided that any entity should not be able to elect to be a for-profit (FP) entity, due to concerns with possible abuse of such an election.



The Board will consider revised implementation guidance and illustrative examples addressing other issues raised by stakeholders at future Board meetings.

Action: Staff

Work Program, Communications Report, KPI Tracking and Priorities for Next Meeting

Agenda Item 15

The Board noted the work program and communications report and discussed project priorities. This agenda item was discussed in private.

Review

Agenda Item 16

The Board reviewed the conduct of the meeting. This agenda item was discussed in private.

Update on international meetings

Agenda item 17

The Board noted the report on international standard-setter conferences and meetings attended by staff in December.

Close of Meeting

The Chair closed the meeting at 2:45 pm on Friday, 6 March 2020.

Approval

Signed by the Chair as a correct record,
this 30th day of April 2020