



Subject: Minutes of the 95th meeting of the AASB
Venue: Ken Spencer Room, AASB offices
Level 7, 600 Bourke St, Melbourne
Time(s): Thursday 5 February 2009 from 8.30 a.m. to 4.05 p.m.

All agenda items except items 1, 2 and 10 were discussed in public.

Attendance

Members	Bruce Porter (Acting Chairman) Glenn Appleyard Victor Clarke Mark Jenkin Ian McPhee John O'Grady Frank Palmer Colin Parker Kris Peach Joanna Perry Bruce Porter Brett Rix Robert Williams
In attendance	Peter Batten (IPSASB member) Agenda item 6
Apologies	Sue Highland
Staff	Clark Anstis (in part) Dean Arden (in part) Natalie Batsakis (in part) Geoff Harris Robert Keys Latif Oylan (in part) Jim Paul (in part) Joanna Spencer (in part) Angus Thomson

Apologies, Agenda, Minutes, Matters Arising from Minutes and Declaration of Interests

Agenda Item 1

The Acting Chairman welcomed Victor Clarke, Partner, PricewaterhouseCoopers, and Ian McPhee, Auditor-General, Australian National Audit Office, to their first meeting as members of the Board.

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.

Minutes

The Board confirmed the minutes of the ninety-fourth meeting held on 17-18 December 2008.

Chairman's Report

Agenda Item 2

The Chairman informed members:

- (a) that a member of the IASB/FASB Financial Crisis Advisory Group (FCAG) has sought information on a number of issues to be discussed at the next FCAG meeting and that he and staff are dealing with the request;
- (b) of his attendance at an ASIC Chairs Committee meeting and that sustainability reporting, in particular, assurance statements was discussed as being a significant priority;
- (c) of an invitation from the Malaysian Accounting Standards Board to participate in the IASB's Regional Standard Setters Meeting in April 2009 and advised members that Ms Peach will represent the Board at this meeting;
- (d) that submissions on Part 2 of the International Accounting Standards Committee Foundation's Constitution Review are requested by 22 March 2009. Members agreed that the Board should make a submission with particular emphasis on the IASB's due process. Mr O'Grady and Mr Rix agreed to liaise with staff in preparing a draft submission for consideration at the next meeting; and
- (e) that the IASB has approved IFRIC 18 *Transfers of Assets from Customers* and the Board agreed to deal with this at its March meeting.

Action:

Chair
Mr O'Grady
Ms Peach
Mr Rix

Superannuation Plans and Approved Deposit Funds

Agenda item 3

The Board had before it:

- (a) a memorandum from Dean Ardern dated 20 January 2009 (Agenda paper 3.1);
- (b) an issues paper: Implications of different treatments of 'discount of subsidiaries' (Agenda paper 3.2);
- (c) draft ED 16X Superannuation Plans and Approved Deposit Funds (Agenda paper 3.3); and
- (d) a memorandum from Dean Ardern, dated 30 January 2009 re constituent comments (Agenda paper 3.4).

The Board considered Agenda paper 3.1 and decided that:

- (a) the ED should propose that a superannuation plan disclose the components of any remeasurement change in defined benefit members' accrued benefits in the notes;

- (b) the terminology need not be aligned with that used in the Institute of Actuaries of Australia professional standards for the purpose of issuing the ED for public comment;
- (c) a death or disability benefit example need not be included in Appendix B for the purpose of issuing the ED for public comment;
- (d) the fair value disclosure guidance in Appendix B should be amended to be more consistent with the corresponding amendments to IFRS 7 *Financial Instruments: Disclosures* arising from the IASB's ED *Improving Disclosures about Financial Instruments*; and
- (e) it should not propose to require a superannuation plan or approved deposit fund to disclose information about its expected rates of return.

The Board considered Agenda paper 3.2 and decided the ED should propose that a parent superannuation plan or parent approved deposit fund recognise and present a 'discount of subsidiaries' as a remeasurement gain in its consolidated income statement in the period in which it occurs. The Board also decided:

- (a) that while the ED should propose that a remeasurement gain arising from a 'discount of subsidiaries' be recognised as income, it should not be allocated to members of the parent, which the Board noted would involve the staff reviewing the ED and making amendments where appropriate; and
- (b) to include a question in the ED asking constituents their views on the proposed treatment of 'discount of subsidiaries'.

The Board considered Agenda paper 3.3 and agreed that the ED should be amended in accordance with the changes described in Attachment A to these minutes.

The Board considered Agenda paper 3.4 and decided:

- (a) the ED should clarify that a 'hybrid' superannuation plan could present a single statement of changes in members' benefits rather than separate statements for defined contribution and defined benefit members;
- (b) the ED should clarify that, for the purpose of disclosing information about how a superannuation plan or approved deposit fund arranges and manages its assets, the 'through the eyes of management' approach used in AASB 8 *Operating Segments* should be applied, which in some circumstances may give rise to disclosures about groups of assets based on member investment choices;
- (c) to retain the current example financial statements in Appendix C and include a question in the ED asking constituents whether it would be more useful to provide example financial statements for:
 - (i) a 'hybrid' superannuation plan; or
 - (ii) a superannuation plan with defined contribution members only and explaining how the financial statements of such a plan would differ from those of a superannuation plan with defined benefit members;
- (d) to propose that since a number of factors need to be taken into account in relation to defined benefit members accrued benefits, a superannuation plan with defined benefit members should recognise and present the difference between any remeasurement change in defined benefit members' accrued benefits during a reporting period and the net contributions received and receivable in relation to such members in the same reporting period as a gain or loss in the income statement;
- (e) that staff should 'test' the example financial statements in Appendix C by populating the statements with numbers derived from a typical superannuation plan and prepare journal entries to explain the movements in members' accrued benefits for the Board's consideration and any prior out-of-session review by members; and

- (f) that presenting contributions received, benefit payments, transfers and rollovers in the cash flow statement as cash flows from financing activities is consistent with contributions, transfers and rollovers not being treated as revenues, and benefit payments not being treated as expenses, under the ED.

The Board decided that the next version of the draft ED considered by the Board should include a section comparing the proposals in the ED to the current requirements in AAS 25 *Financial Reporting by Superannuation Plans*.

In relation to Agenda paper 3.4 the Board also confirmed that under the ED, unless life insurance cover is offered to members of a superannuation plan directly by an external insurer with the plan only acting as an agent of the insurer, insurance arrangements with members would be treated as insurance contracts between the members and the plan.

The Board agreed to consider a further revised draft ED at its April 2009 meeting with a view to approving it for public comment. The Board also agreed that the revised draft ED should be reviewed out-of-session by at least one Board member. Ms Peach and Mr Clarke agreed to review the revised draft ED prior to the Board's April 2009 meeting.

Action:	Staff
	Mr Clarke
	Ms Peach

Interpretations

Agenda item 4

The Board had before it:

- (a) a memorandum from Joanna Spencer dated 27 January 2009 (Agenda paper 4.1);
- (b) a paper: Interpretation issues in progress (IFRIC and domestic topics as at 28 January 2009) (Agenda paper 4.2);
- (c) a memorandum from Joanna Spencer dated 28 January 2009 re Split Investments in Associates (Agenda paper 4.3);
- (d) a paper: Issue Proposal for IFRIC Agenda Committee – Split Investments in Associates in Consolidated Financial Statements (October 2005) (Agenda paper 4.3.1);
- (e) a memorandum from Joanna Spencer dated 27 January 2009 re Australian Superannuation Contributions Tax (Agenda paper 4.4);
- (f) draft Proposed Interpretation 10XX Australian Superannuation Contributions Tax for Defined Benefit Plans (Agenda paper 4.4.1);
- (g) a memorandum from Joanna Spencer and Natalie Batsakis dated 4 February 2009 re ED 17X *Post-implementation Revisions to IFRIC Interpretations* (Agenda paper 4.5); and
- (h) ED XXX Post-implementation Revisions to AASB Interpretations (Agenda paper 4.5).

Split Investments in Associates

The Board received an update on the status of an interpretation issue regarding Split Investments in Associates and noted that after the IFRIC rejected the issue it was added to the AASB's work program with a low priority. The Board decided to maintain a watching brief on the topic.

Australian Superannuation Contributions Tax

The Board approved for issue Proposed Interpretation 10XX Australian Superannuation Contributions Tax for Defined Benefit Plans to propose that an employer sponsor includes the impact of Australian Superannuation Contributions Tax when measuring a defined benefit obligation.

The Board agreed to request comments from constituents by 31 March 2009, with a view to discussing comments by constituents at the April 2009 Board meeting.

Proposed Amendments to AASB Interpretations

The Board approved for issue ED 17X *Post-implementation Amendments to AASB Interpretations* which:

- (a) includes IASB ED/2009/01 Post-implementation Revisions to IFRIC Interpretations;
- (b) proposes amendments to AASB Interpretation 9 Reassessment of Embedded Derivatives and
- (c) AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation.

The Board agreed to request comments from constituents by 25 February 2009.

Action: Staff
Acting Chairman

Borrowing Costs

Agenda item 5

The Board had before it:

- (a) a memorandum from Latif Oylan dated 28 January 2009 (Agenda paper 5.1);
- (b) Draft Accounting Standard AASB 2009-X *Amendments to Australian Accounting Standards – Borrowing Costs of Not-for-Profit Public Sector Entities* [AASB 111 & AASB 123] – OPTION 1 (Agenda paper 5.2);
- (c) Draft Accounting Standard AASB 2009-X *Amendments to Australian Accounting Standards – Borrowing Costs of Not-for-Profit Public Sector Entities* [AASB 111 & AASB 123] – OPTION 2 (Agenda paper 5.3);
and
- (d) Amendments to NZ IAS 23 *Borrowing Costs* (Agenda paper 5.4).

The Board considered the relative merits of the alternative approaches to implementing its decision to defer the withdrawal of the option to expense borrowing costs relating to qualifying assets and decided that OPTION 1 (Agenda paper 5.2), which embeds the expense option directly into AASB 123 (2007) via an Amending Standard, should form the basis of an ED.

In developing the ED the Board decided:

- (a) that the withdrawal of the option to expense borrowing costs should only be made available to not-for-profit public sector entities. A specific matter for comment should invite constituents to express a view on whether the option should also be provided to not-for-profit private sector entities. Noting that the title of the ED would not necessarily attract the attention of constituents interested in accounting by not-for-profit private sector entities, the Board asked staff to contact particular constituents directly through the Not-for-Profit (Private Sector) Focus Group to advise them of the ED;
- (b) to delete the word 'primarily' from paragraph 1, because it is redundant; and to insert (2007, as amended) to follow references to AASB 123, to clarify that the version of AASB 123 being referred to is

the 2007 version as amended by AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*;

- (c) to replace references to '28 February 2009' in the Preface and paragraphs 3, 4 and BC8 with '30 April 2009' which is the end of the month that the Board expects to make the Standard;
- (d) to delete the last sentence of paragraph BC2, because it is not necessary to refer to the Standards applicable to borrowing costs prior to AASB 123 (2004);
- (e) to delete the last sentence in paragraph BC5, because the first sentence adequately describes the views of some Australian public sector constituents;
- (f) that in addition to the specific matter for comment referred to in (a) above, to ask constituents to comment on the appropriateness of the proposed amendments. Furthermore, where relevant, the usual specific matters for comment questions generally included in AASB EDs should be added to the Preface of the ED; and
- (g) to issue the ED for approximately a 45-day comment period, with the intention that the Board consider the comments with a view to making the Standard at its 22 April 2009 meeting.

The Board approved the ED for issue, subject to the above decisions, staff quality control checks, staff confirming that there are no consequential effects arising from AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123*, and AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*, and final clearance through the Acting Chairman. Board members were also asked to provide any editorial comments to staff out-of-session

Action:

Staff
Board members
Acting Chairman

Income from Non-Exchange Transactions

Agenda item 6

The Board had before it:

- (a) a memorandum from Clark Anstis dated 28 January 2008 (Agenda paper 6.1); and
- (b) an Issues Paper on Property Taxes (Agenda paper 6.2).

The Board discussed the issues paper on whether property taxes, in particular local government rates, include both exchange and non-exchange components and on identifying the taxable event. Board members expressed a range of views on whether local government rates could be regarded as comprising both exchange and non-exchange components:

- (a) some members considered that the involuntary nature of rates (e.g. the inability of ratepayers to opt out of or to enforce the provision of services) indicates that rates are a non-exchange transaction; and
- (b) other members considered that rate payments could be regarded as including payments for identifiable services provided directly to individual ratepayers, which have the character of exchange transactions to that extent. Members noted the practical difficulty of identifying the scope of exchange transactions under this view.

The Board discussed the measurement of identifiable services provided directly to individual ratepayers, noting that the absence of an agreed price between the local government and the ratepayers for the services makes the assessment of 'approximately equal value' (a feature of exchange transactions) more difficult.

The Board discussed various views of the taxable event for local government rates, as paragraph 66(f) of IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)* identifies the taxable event for property taxes as either the passing of the date on which the tax is levied or the period for which the tax is levied. Members considered the effects of changes in ownership of rated property during the period and of property becoming or ceasing to be rateable during the period, and took the view that identifying the taxable event and the appropriate accounting for rates may depend on the particular circumstances in each jurisdiction.

The Board decided not to add guidance on these issues to the draft ED, which is based on IPSAS 23, but decided that the ED should include specific matters for comment on the issues.

Action: Staff

Consolidated Financial Statements

Agenda item 7

The Board had before it:

- (a) a memorandum from Natalie Batsakis dated 27 January 2009 (Agenda paper 7.1);
- (b) Exposure Draft ED 171 *Consolidated Financial Statements* (Agenda paper 7.2); and
- (c) presentation slides: Consolidated Financial Statements (Agenda paper 7.3).

The Board received a presentation on the proposed requirements of ED 171.

Emissions Trading

Agenda item 8

The Board had before it:

- (a) a memorandum from Joanna Spencer, dated 20 January 2009 (Agenda paper 8.1); and
- (b) an extract from the Australia Government's Carbon Pollution Reduction Scheme White Paper – Chapter 14 Tax and accounting issues (Agenda paper 8.2).

The Board noted that the Australian Government's White Paper on the Carbon Pollution Reduction Scheme indicates that the IASB should determine the accounting requirements relating to emissions trading in Australia. However, communications with Treasury staff indicate that, should the IASB fail to meet its proposed timeline, the government's expectation is that the Board may have to issue Australian specific guidance in the interim relating to an emissions trading scheme.

Other Business and Correspondence

Agenda item 9

The Board had before it:

- (a) *FRSB Alert* (December 2008) (Agenda paper 9.1);
- (b) AASB Work Program (January 2009) (Agenda paper 9.2);
- (c) AASB Public Sector Strategy (January 2009) (Agenda paper 9.3);
- (d) List of documents open for comment (Agenda paper 9.4);

- (e) Additional submission on ED 167 *Discontinued Operations – Proposed Amendments to AASB 5* (Agenda paper 9.5);
- (f) Additional submission on ED 169 *Improving Disclosures about Financial Instruments: Proposed Amendments to AASB 7* (Agenda paper 9.6);
- (g) AASB submission to the IASB dated 19 December 2008 re Earnings per Share (Agenda paper 9.7);
- (h) AASB submission to the IASB dated 23 December 2008 re Discontinued Operations (Agenda paper 9.8);
- (i) AASB submission to the IASB dated 23 December 2008 re IFRS 1 (Agenda paper 9.9);
- (j) AASB submission to the IASB dated 23 December 2008 re IFRS 7 (Agenda paper 9.10);
- (k) submission to the AASB re ED 169 *Improving Disclosures about Financial Instruments: Proposed Amendments to AASB 7* (Agenda paper 9.10.1);
- (l) a memorandum from Natalie Batsakis dated 20 January 2009 re Investments in Debt Instruments (Agenda paper 9.11);
- (m) submissions to the AASB on ED 173 *Investments in Debt Instruments: – Proposed Amendments to IFRS* (Agenda paper 9.11.1);
- (n) AASB staff submission to IASB dated 15 January 2009 re Investments in Debt Instruments (Agenda paper 9.11.2);
- (o) a letter from Paul Rogan, CFO, Challenger, to Bruce Porter, Acting Chairman, AASB, dated 7 January 2009 re AASB 7 and AASB 139 and reply dated 14 January 2009 (Agenda paper 9.12);
- (p) a note on US Senate Committee Hearing (15 January 2009) (Agenda paper 9.13);
- (q) a letter from Roy Farthing, Chair, Australian Valuation and Property Standards Board to Bruce Porter, Acting Chairman AASB, dated 7 January 2009 re representative on AV&PSB and reply dated 20 January 2009 (Agenda paper 9.14);
- (r) a letter from Bruce Porter, Acting Chairman, AASB, to Dr Nordin Mohd Zain, Executive Director, Malaysian Accounting Standards Board, dated 20 January 2009 re Regional Standard Setters Meeting (Agenda paper 9.15);
- (s) a letter from Peter Marriott, CFO, ANZ, to Bruce Porter, Acting Chairman AASB, dated 16 January 2009 re copy of correspondence with IASB re accounting for financial instruments (Agenda paper 9.16);
- (t) a memorandum from Robert Keys and Sabine Schuhrer dated 27 January 2009 re Roundtables: GAAP/GFS Harmonisation (Agenda paper 9.17);
- (u) a memorandum from Natalie Batsakis dated 27 January 2009 re Embedded Derivatives (Agenda paper 9.18.1);
- (v) AASB staff submission to the IASB dated 20 January 2009 re ED of Proposed Amendments to IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives (Agenda paper 9.18.2); and
- (w) submissions to the AASB on ED 172 Embedded Derivatives (Agenda paper 9.18.3).

The Board noted the correspondence.

Review

Agenda item 10

Members noted that several roundtables are planned and the importance of having two or three members participating at each roundtable. Members requested staff to provide a schedule containing details of the roundtables and the members who plan to attend.

Close of Meeting

The Chairman closed the meeting at 4.05 p.m. on 5 February 2009.

Approval

Signed by the Acting Chairman as a correct record
this fourth day of March 2009.

ATTACHMENT A

Superannuation Plans and Approved Deposit Funds

Agenda item 3

The Board considered draft ED 16X *Superannuation Plans and Approved Deposit Funds* (Agenda paper 3.3) and decided to amend:

- (a) paragraph 27(a) by clarifying that the assets and liabilities being referred to in the paragraph are those assets and liabilities of a subsidiary that are recognised in the parent's consolidated financial statements;
- (b) paragraphs AG39 – AG46 of the Application Guidance to include:
 - (i) a cross-reference to paragraph 27 of the draft ED;
 - (ii) a proposal equivalent to paragraph 36 of AASB 3 *Business Combinations* that specifies before recognising 'discount of subsidiaries' as a remeasurement gain, a parent superannuation plan or parent approved deposit fund reassesses whether it has correctly identified all of the relevant assets and liabilities of subsidiaries and reviews the procedures used to measure them; and
 - (iii) cross-references to Illustrative Examples C and D in Appendix C;
- (c) paragraphs AG71 – AG78 by:
 - (i) relocating the material in the first sentence of paragraph AG73 of Appendix B so that it precedes paragraph AG71 and amend paragraph AG71; and
 - (ii) deleting paragraph AG72(c);
- (d) the example financial statements in Appendix C to explain the linkages between the statements and to standardise the terminology used in the different statements;
- (e) the titles of Illustrative Examples C and D in Appendix C to include cross references to the relevant paragraphs in Appendix B;
- (f) the Basis for Conclusions to:
 - (i) include more discussion about the relationship between the Board's comprehensive review of AAS 25 *Financial Reporting by Superannuation Plans* and the Board's transaction-neutral policy; and
 - (ii) explain the Board's reasons for not requiring a superannuation plan or approved deposit fund to disclose information about its expected rates of return [minute item first (e)];
- (g) paragraph BC21 to clarify that the AASB concluded the approach under AAS 25 was an appropriate starting point for developing measurement principles for the assets of a superannuation plan or approved deposit fund;
- (h) paragraphs BC56 – BC59 to explain the Board's reasons for its proposed treatment of insurance arrangements;
- (i) paragraph BC76 to clarify that employer contributions relating to defined contribution members have the characteristics of liabilities and employer contributions on behalf of defined benefit members assist in funding the superannuation plan's obligation to such members and therefore have characteristics of both liabilities and equity. Accordingly, to facilitate a consistent treatment of employer contributions in respect of defined contribution and defined benefit members, the ED proposes that all employer contributions be treated as liabilities of a superannuation plan;

- (j) paragraphs BC86 – BC95 to explain the Board’s reasons for:
 - (i) its proposal that ‘discount of subsidiaries’ be treated as a remeasurement gain; and
 - (ii) not permitting a parent superannuation plan or parent approved deposit fund to recognise internally generated brands, mastheads, publishing titles, customer lists and items similar in substance, internally generated goodwill, contingent assets or contingent liabilities that are attributable to the subsidiary and arise subsequent to the subsidiary’s acquisition by the parent; and
 - (k) paragraphs BC108 – BC109 for the Board’s reasons for proposing that a superannuation plan or approved deposit fund disclose information about the arrangement and management of assets in accordance with the ‘through the eyes of management’ approach used in AASB 8 *Operating Segments*.
-