



Subject: Minutes of the 190th meeting of the AASB
Venue: Videoconference
Held: Wednesday, 21 September 2022, 9.30 am – 4.22 pm

All agenda items were discussed in public, except for items 1 and 10. Public observers participated via videoconference.

Attendance

Members attending Keith Kendall (Chair)
Alison White (Deputy Chair)
Carolyn Cordery
James Grant (part of meeting)
Dean Hanlon (part of meeting)
David Holland (part of meeting)
Toby Langley
Sean Osborn
Paul Rogers
Caroline Spencer (part of meeting)
Stephen Taylor

Apologies James Grant (2.50 pm – 3.25 pm)
Dean Hanlon (12.15 pm – 2.05 pm)
David Holland (2.00 pm – 4.22 pm)
Caroline Spencer (1.30 pm – 4.22 pm)

In attendance

Staff Patricia Au
Aanchal Bhandari
Kimberley Carney
Fridrich Housa
Kathleen John
Eric Lee
Ao Li
Maggie Man
Carmen Ridley
Claire Thomson
James Wake
Jia Wei
Justin Williams

Other Jim Paul – agenda item 8
Angus Thomson – agenda item 4

Agenda and Chair's Report

Agenda Item 1 – discussed in private

The Chair noted the significant items on the agenda and provided the Board with an update on recent and future activities.

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

Agenda Item 2

Apologies

Apologies were noted from James Grant, Dean Hanlon, David Holland and Caroline Spencer for parts of the meeting.

Declarations of Interests

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 interests that a specific declaration will be made where there is a particular interest in an issue before the Board. There were no specific declarations for this meeting.

Minutes

The Board approved the minutes of the one hundred and eighty-ninth meeting, held on 3 August 2022.

Approvals Out of Session

The Board noted that no documents had been approved out of session since the previous meeting report.

Sustainability Reporting

Agenda Item 3

The Board received an update on the Sustainability Reporting project and international sustainability reporting developments.

Action:

Staff

Insurance Activities in the Public Sector

Agenda Item 4

The Board continued deliberations based on the feedback received on Exposure Draft AASB ED 319/ NZASB ED 2022-3 *Insurance Contracts in the Public Sector* and made the following decisions on modifications to AASB 17 *Insurance Contracts* for public sector entities.



The modifications would:

- (a) specify that an arrangement would be within the scope of AASB 17 only if it is enforceable and has an identifiable coverage period. When an arrangement is both enforceable and has an identifiable coverage period:
 - (i) the entity would determine whether the arrangement falls within the scope of AASB 17 by applying the 'source and extent of funding' and 'similarity of risks covered and benefits provided' indicators; and
 - (ii) in the event that the indicators in (i) are not definitive, would determine whether the arrangement falls within the scope of AASB 17 by applying the 'management practices and assessing financial performance' and the 'assets held to pay benefits' factors;
- (b) exempt entities from sub-grouping insurance contracts into onerous versus non-onerous groups and by annual cohorts of insurance contracts issued;
- (c) amend the initial recognition requirements so that the timing of initially recognising an insurance contract does not depend on when contracts become onerous;
- (d) provide an accounting policy choice for an entity to apply the premium allocation approach in measuring liabilities for remaining coverage without the need to consider the eligibility criteria in AASB 17 paragraph 53;
- (e) provide guidance on determining the coverage period and contract boundary of an arrangement by:
 - (i) explaining that both formal (legislated) and customary review processes would be considered in determining when, in substance, the entity has the practical ability to reassess risks and benefits in an arrangement; and
 - (ii) noting that, in determining a contract coverage period, the public sector entity will have regard to the underlying period of coverage in any related contract issued by a private sector insurer; and
- (f) require additional disclosures identifying:
 - (i) relevant laws or regulations under which prices and benefits are set; and
 - (ii) timeframes for which pricing and benefits are typically determined.

The Basis for Conclusions will note that the modifications are justified to address public sector circumstances that differ from those of private sector not-for-profit entities.

The Board also confirmed that the amending Standard would:

- (a) not modify the risk adjustment requirements in measuring insurance liabilities;
- (b) not exempt public sector captive insurers from applying AASB 17 in their separate financial statements, but would provide an accounting policy choice to apply either AASB 17 or AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* to prepare any administered item disclosures under AASB 1050 *Administered Items*; and



- (c) defer the application of AASB 17 for public sector entities to annual periods beginning on or after 1 July 2025, with earlier application permitted.

The Board decided to issue a Fatal-Flaw Review (FFR) Draft version of the amending Standard for a 14-day comment period. The Board subcommittee is expected to finalise the FFR Draft Standard out of session in mid-October 2022.

Action: Staff
Subcommittee

Research Update

Agenda Item 5

The Board noted a report of recent Research Centre activities, including:

- (a) dialogue series sessions held jointly with CPA Australia and CA ANZ – *Digital Financial Reporting: Why does it matter?* (17 August 2022) and a session on external reporting for not-for-profit private sector entities (14 September 2022);
- (b) the call in July for expressions of interest to invite researchers to submit research proposals for the 2023 AASB Research Forum resulted in nine research proposals being received; and
- (c) two research proposals were received in response to the call for expressions of interest regarding research on materiality judgements.

Action: Staff

Other Business

Agenda Item 6

The Board noted the submissions made, the IASB, IFRS Interpretations Committee and ISSB updates and other items.

Action: Staff

Documents Open for Comment

Agenda Item 7

The Board noted its previous decisions about commenting on the consultative documents already issued by international standard-setting bodies.

Action: Staff



Fair Value Measurement for Not-for-Profit Public Sector Entities

Agenda Item 8

The Board considered feedback received on AASB Exposure Draft ED 320 *Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* and made the following decisions on the modifications to AASB 13 *Fair Value Measurement* for not-for-profit public sector entities for measuring non-financial assets not held primarily for their ability to generate net cash inflows.

Highest and best use

The modifications would:

- (a) specify that the asset's current use is presumed to be its highest and best use unless it is highly probable that the asset will be sold, distributed, or used for an alternative purpose to its current use at the measurement date – for an asset that would be disposed of, the asset's current use is presumed to be its highest and best use unless the asset qualifies as 'held for sale' under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*; and
- (b) clarify that an asset's use is 'financially feasible' if market participants would be willing to invest in the asset's service capacity, considering both the capability of the asset to be used to provide needed goods or services to beneficiaries and the resulting cost of those goods or services.

Market participant assumptions

Regarding using market participant assumptions to measure such an asset's fair value, including when the cost approach is applied, if both the market selling price of a comparable asset and some other market participant data required to measure the fair value of the asset are not observable, the modifications would require an entity to use its own assumptions as a starting point and to adjust those assumptions if reasonably available information indicates that other market participants would use different data.

Application of the cost approach

When estimating the costs currently required for a market participant buyer to acquire or construct a reference asset when applying the cost approach to measure the fair value of the subject asset, the modifications would require an entity to:

- (a) assume the reference asset will be acquired or constructed at the subject asset's existing location; and
- (b) include the following costs (among other costs) in the reference asset's replacement cost if they would need to be incurred upon the hypothetical acquisition or construction of the reference asset at the measurement date, and if data for them are reasonably available:
 - (i) costs required to restore another entity's asset, if the asset that would need restoration existed at the measurement date and would be disturbed in a hypothetical acquisition or construction of the reference asset. However, such costs would be excluded if they relate to restoration of an asset of another entity included in the consolidated group (if any) to which the entity belongs;



- (ii) other disruption costs that would hypothetically be incurred when acquiring or constructing the reference asset at the measurement date; and
- (iii) if the subject asset is fixed to a parcel of land, and land available in the proximity of the subject asset has features needing removal or remediation that the subject asset does not:
 - costs required to prepare the land for the hypothetical construction of the reference asset; and
 - costs required to remove and dispose of any unwanted existing structures on the land to make way for the hypothetical construction of the reference asset.

Economic obsolescence

The modifications would also specify that any surplus capacity of the asset that is necessary for stand-by or safety purposes does not represent economic obsolescence.

Finalising the Standard

The Board noted that applying some of the proposed modifications may not be compliant with IFRS 13 *Fair Value Measurement* but considered that this is justified to reduce the cost for not-for-profit public sector entities in applying AASB 13 to measure non-financial assets not held primarily for their ability to generate net cash inflows.

The Board also confirmed that the amending Standard would:

- (a) not mandate the measurement technique to apply for measuring the fair value of specific assets, such as land subject to public-sector-specific restrictions;
- (b) amend AASB 13 only in relation to not-for-profit public sector entities; and
- (c) apply prospectively for annual periods beginning on or after 1 January 2024, with earlier application permitted.

The Board decided to issue a Fatal-Flaw Review (FFR) Draft version of the amending Standard for a 30-day comment period. The Board subcommittee is expected to finalise the FFR Draft Standard out of session in mid-October 2022.

Action:	Staff Subcommittee
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Not-for-Profit Domestic Post-Implementation Reviews

Agenda Item 9

The Board received an update on its Post-implementation Review (PIR) projects. Regarding the not-for-profit domestic PIRs, the Board approved the issue of two Invitations to Comment (ITCs) for a 150-day comment period. One ITC will address the topic of income of not-for-profit entities. The second ITC will



address the topics of control and consolidation, the definition of a structured entity, related party disclosures by public sector entities and disclosures required in special purpose financial statements about the extent of an entity's compliance with Australian Accounting Standards. A subcommittee of the Board is expected to finalise both ITCs out of session.

Action:

Staff
Subcommittee

Review of the Meeting

Agenda Item 10 – discussed in private

The Board reviewed the conduct of the meeting.

Close of the Meeting

The Chair closed the meeting at 4.22 pm on Wednesday, 21 September 2022.

Approval of Minutes

Signed by the Chair as a correct record,
this 10th day of November 2022