



Subject: Minutes of the 181st meeting of the AASB
Venue: Videoconference
Time(s): Day 1 – Monday 21 June 2021, 10.00 am – 5.15 pm
Day 2 – Tuesday 22 June 2021, 9.55 am – 3.20 pm

All agenda items were discussed in public, except for items 1 and 19.

Attendance

Members Keith Kendall (Chair) (except for part of day 1 and part of day 2)
Alison White (Deputy Chair)
Carolyn Cordery
Peter Gibson
James Grant
Dean Hanlon
David Holland
Toby Langley (except for part of day 1)
Paul Rogers
Caroline Spencer
Stephen Taylor

Observer Mike Blake, IPSASB member (part of day 2)

Apologies Day 1:
Mike Blake
Keith Kendall (1.30 – 3.00 pm)
Toby Langley (10.55 – 11.40 am and 3.00 – 3.40 pm)
Day 2:
Mike Blake (9.55 am – 2.35 pm)
Keith Kendall (10.00 am – 12.30 pm)

In attendance

Staff Clark Anstis
Patricia Au
Kimberley Carney
Shachini Dassanayake
Nikole Gyles
Fridrich Housa
Eric Lee
Ao Li
Maggie Man
Helena Simkova
James Wake
Justin Williams (part of meeting)

Other Evelyn Ling – agenda items 3, 6 and 11
Anna Longley (ACNC) – agenda item 13
Jim Paul – agenda item 12
Carmen Ridley – agenda item 16
Angus Thomson – agenda item 14
Mel Yates (ACNC) – agenda item 13



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 Interest, Minutes and Approvals Out of Session

Agenda Item 2

Apologies

Apologies were noted from Keith Kendall, Toby Langley and Mike Blake (Observer) for various parts of the meeting.

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.

Keith Kendall advised that his membership of the Australian Institute of Company Directors had changed from Member to Graduate.

Minutes

The Board approved the minutes of the one hundred and eightieth meeting, held on 20 – 21 April 2021.

Approvals Out of Session

The Board noted the out-of-session approval of the following documents since the last meeting:

- ITC 45 *Request for Comment on IPSASB Exposure Drafts ED 76 Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements and ED 77 Measurement*;
- ED 310 *Lack of Exchangeability*; and
- Fatal-Flaw Review Draft of AASB 2021-X *Amendments to Australian Accounting Standards – Modified Retrospective Transition Approach for Service Concession Grantors*.

Not-for-Profit Financial Reporting Framework

Agenda Item 3

The Board continued deliberating the development of a discussion paper and made decisions on the form and content of Tier 3 reporting requirements for not-for-profit (NFP) private sector entities.

The Board discussed whether the primary objective of Tier 3 reporting requirements should be to simplify accounting requirements or to facilitate comparability between Tier 3 NFP private sector entities, and the interaction of such primary objective with the Board's principles for developing the proposed Tier 3 requirements. The Board did not form a view and directed staff to perform further work in this regard.



Setting Tier 3 requirements in the context of Australian Accounting Standards

The Board decided to propose developing Tier 3 reporting requirements as a single stand-alone pronouncement that will:

- (a) be drafted in simple language using terminology tailored to NFP private sector entities of the size contemplated by the Board for Tier 3 entities (i.e. revenue between \$500,000 and \$3 million);
- (b) have minimal cross-referencing to requirements of other Australian Accounting Standards;
- (c) include a simple Basis for Conclusions; and
- (d) include application guidance, implementation guidance and template financial statements.

The Board also decided to address maintenance of the proposed pronouncement after forming its preliminary views on Tier 3 reporting requirements.

The Board observed that an entity of the Tier 3 size contemplated by the Board should be able to prepare Tier 1 or Tier 2 general purpose financial statements, if it elects to do so. The Board also decided to consider at a future meeting whether to permit an entity to apply the reporting requirements of a higher tier in other cases, such as for a class of transactions or where a topic or guidance is not included in the Tier 3 reporting requirements.

Accounting for controlled entities

The Board decided not to make any amendments to the 'control' principle set out in AASB 10 *Consolidated Financial Statements* for Tier 3 reporting requirements. The Board noted that a forthcoming post-implementation review of Appendix E of AASB 10 is expected to address the application of this principle for NFP entities. Consequently, the Board decided not to develop any specific guidance or criteria on identifying controlled entities as part of the Tier 3 reporting requirements.

However, on consideration of the potentially significant effort that might be incurred by Tier 3 entities in identifying controlled entities, the Board decided to allow a NFP private sector entity presenting Tier 3 general purpose financial statements the choice of presenting either:

- (a) consolidated financial statements that consolidate all of its controlled entities, as specified by AASB 10; or
- (b) separate financial statements as its only financial statements.

In addition, where an entity presents separate financial statements as its only financial statements, the Board formed a tentative view that disclosure of the entity's 'significant relationships' should be required, to provide users of the financial statements with information on the other entities that could significantly affect the entity's future financial position or performance. The Board intends to further discuss a definition of 'significant relationships'.

The Board will consider the accounting for investments in associates and joint ventures in consolidated financial statements and the accounting for investments in subsidiaries, associates and joint ventures in separate financial statements at a future meeting.



The Board confirmed its previous decisions not to specify any reporting thresholds as part of this project (and to clarify the implications of this decision for entities in the discussion paper as far as possible) and that Tier 1 and Tier 2 reporting requirements of the NFP private sector differential reporting framework should comprise the respective Tier 1 and Tier 2 reporting requirements currently set out in Australian Accounting Standards.

Action: Staff

AASB Agenda Consultation

Agenda Item 4

The Board considered a draft of the forthcoming Invitation to Comment (ITC) *AASB Agenda Consultation 2022–2026*, including questions for stakeholder feedback on the suggested potential projects that could be added to the Board's work program.

The ITC is expected to be issued in September with a 180-day comment period.

Action: Staff

IASB Agenda Consultation

Agenda Item 5

The Board considered the feedback received from Australian stakeholders to date on the IASB's request for information (RFI) on the *Third Agenda Consultation*. Subject to further feedback on the Board's related Invitation to Comment (ITC 44), the Board decided that its submission to the IASB should provide the following views:

- (a) in respect of the strategic direction and balance of the IASB's activities, the IASB should increase its existing level of focus on digital financial reporting, which is broader than just the IFRS Taxonomy, and also consider how best to address the taxonomy work;
- (b) the IASB should increase its existing level of focus on the understandability and accessibility of Standards on the basis that recent research and feedback have identified issues with the readability and understandability of IFRS Standards;
- (c) the IASB could decrease its existing focus on the development of new IFRS Standards and major amendments to IFRS Standards;
- (d) the IASB should retain the existing criteria used to assess the priority of financial reporting issues that could be added to its work plan;
- (e) projects related to intangible assets (medium-sized project) and going concern (large project) should be added to the IASB work plan as high priorities; and
- (f) projects related to climate-related risks (medium-sized project), the statement of cash flows (small project) and cryptocurrencies (medium-sized project) should be added to the IASB work plan as



medium priorities, with the cryptocurrencies project focussing on amending the scope of the financial instrument Standards.

The Board will finalise the submission at the September Board meeting.

Action: Staff

Sustainability Reporting

Agenda Item 6

Subject to their agreement, the Board decided to make a joint submission with the Financial Reporting Council and the Auditing and Assurance Standards Board on the IFRS Foundation Exposure Draft *Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Boards to set IFRS Sustainability Standards*. The submission will be finalised out of session by a subcommittee of the Board.

Action: Staff
Subcommittee

Research Update

Agenda Item 7

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

- (a) planning and research projects for the 2021 AASB Academic Research Forum, to be held on Monday, 29 November;
- (b) publication in April of AASB Research Report 16 *Financial Reporting by Non-Corporate or Small Entities* (Public Sector Entities, Private Sector SMEs, Not-for-Profits including Charities and Non-Government Organisations); and
- (c) progress of the joint research with the Malaysian Accounting Standards Board on transitional arrangements and practical expedients that might be required or permitted in future Accounting Standards.

Action: Staff

Regulatory Assets and Liabilities

Agenda Item 8

The Board discussed the proposals in IASB ED/2021/1 (AASB ED 307) *Regulatory Assets and Regulatory Liabilities* and the feedback received in outreach with stakeholders. The Board decided to prepare a submission to the IASB addressing in particular a number of areas in which further clarification would be useful, such as the effect of differences between regulatory balances and corresponding balances for



financial reporting purposes under Standards. The submission will be finalised out of session by a subcommittee of the Board.

Action: Staff
Subcommittee

Audit Engagement-related Disclosures

Agenda Item 9

Auditor tenure

The Board considered options for disclosing auditor tenure in response to recommendation 6 of the Parliamentary Joint Committee (PJC) Inquiry into the Regulation of Auditing in Australia, which recommended that the Financial Reporting Council (FRC), by the end of the 2020-21 financial year, oversee the revision and implementation of Australian standards to require audited entities to disclose auditor tenure in annual financial reports. The Board acknowledged that the Australian Institute of Company Directors (AICD) is currently developing guidance for directors and audit committees that would encourage disclosure of auditor tenure in the Directors' Report. The Board also noted that the AICD intends to seek incorporation of the guidance into the ASX Corporate Governance Principles at a later date.

After considering the options available and the work undertaken by other bodies, the Board decided not to propose amendments to Australian Accounting Standards to require auditor tenure disclosure at this stage but to continue to monitor the work being carried out by the AICD in respect of listed entities.

Auditor remuneration

The Board decided at its February meeting to develop an Exposure Draft of amendments to AASB 1054 *Australian Additional Disclosures* to address PJC recommendation 3a, which recommended that the FRC and ASIC, by the end of the 2020-21 financial year, oversee consultation, development and introduction under Australian Standards of fee disclosure requirements for defined categories of audit and non-audit services.

At this meeting, the Board considered a comparison of audit and non-audit service categories recommended by AASB Research Report 15 *Review of Auditor Remuneration Disclosure Requirements* with those suggested by ASIC and those proposed in the Exposure Draft ED 03/21 *Proposed Amendments to Fee-related provisions of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board (APESB) in May 2021.

The Board acknowledged that ED 03/21 defines the services within each category, but noted that APES 110 provides guidance rather than mandatory requirements. The Board decided that AASB 1054 should define the services included in each category. The Board also decided to comment on the APESB ED (the submission to be finalised by the Chair) and to liaise with the APESB in developing the disclosure proposals.

The Board acknowledged that it is appropriate to wait for the government response to the PJC Inquiry recommendations before issuing its ED. However, in the interim, the Board will continue deliberating the proposals to amend AASB 1054.



AASB submission to the IASB Agenda Consultation

The Board redeliberated its decision at the April meeting to recommend the IASB add a project on audit engagement-related disclosures to its work program. After considering the progress of this project, the Board decided not to continue with that recommendation as the auditor tenure and auditor remuneration disclosures are to be addressed locally.

Action: Staff
Chair

Going Concern

Agenda Item 10

The forthcoming AASB staff paper *Going Concern Disclosures: A Case for International Standard-Setting* will support the AASB's submission to the IASB Agenda Consultation recommending that a project related to going concern disclosures should be included on the IASB's revised work plan as a high priority. The Board noted that the staff paper should take an international perspective and focus on the long-standing issues related to reporting on going concern matters, rather than issues resulting from the specific economic impacts of COVID-19. The Board supported the addition of illustrative going concern disclosure examples. The staff paper is expected to be published in August 2021.

Action: Staff

Business Combinations under Common Control

Agenda Item 11

The Board noted the stakeholder feedback received to date on the IASB's proposals, which will be considered further at the next meeting.

Action: Staff

IPSASB Exposure Drafts on Public Sector Measurement

Agenda Item 12

The Board decided that, subject to feedback on AASB ITC 45, the scope of its submission on IPSASB Exposure Drafts ED 76 *Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements* and ED 77 *Measurement* should include its views on:

- (a) all aspects of the proposed current operational value measurement basis;
- (b) the IPSASB's rationale why fair value is inappropriate for measuring the current value of operational assets; and
- (c) the proposed removal of certain measurement bases from the IPSASB Conceptual Framework.



The Board also decided its submission should reflect the generally supportive feedback it received from stakeholders on applying AASB 13 *Fair Value Measurement* in the Australian public sector, including noting the application issues deliberated by the Board in its Fair Value Measurement for Not-for-Profit Entities project.

The Board will continue its deliberations regarding the IPSASB Exposure Drafts at its August and September 2021 meetings.

Action:

Staff

ACNC Presentation

Agenda Item 13

Anna Longley, Assistant Commissioner – General Counsel, and Mel Yates, Director – Reporting, Red Tape Reduction and Corporate Services, of the Australian Charities and Not-for-profits Commission (ACNC) discussed with the Board the role of the ACNC and other matters of mutual interest.

Insurance Activities in the Public Sector

Agenda Item 14

The Board continued its consideration of issues relating to the application of AASB 17 *Insurance Contracts* to public sector entities.

In respect of the measurement of insurance liabilities, the Board decided to propose that there should be no public-sector-specific modifications to AASB 17 regarding:

- (a) the discounting of fulfilment cash flows; and
- (b) the requirements for presenting the impacts of inflation in the statement of profit or loss and other comprehensive income.

In respect of assessing eligibility for applying the premium allocation approach to measure the liability for remaining coverage, the Board decided to propose including the following public-sector-specific guidance in AASB 17 or the Board's Basis for Conclusions to AASB 17:

- (a) clarification that, when applying paragraph 34(b) of AASB 17, assessing a public sector entity's practical ability to fully price for risks or benefits would include assessing the managerial capacity of its controlling government, including any relevant Ministers, to determine pricing or benefits;
- (b) clarification that, where a public sector entity has a legislated obligation to stand ready to insure future policyholders, that obligation would not affect the coverage period; and
- (c) guidance to assist a public sector entity to evaluate when it has the practical ability to fully price for risks or benefits under paragraph 34(b)(ii) when a long-term view is taken on setting pricing and benefits.



In relation to (c), the Board also decided to propose that a public sector entity would be required to disclose information about the manner in which long-run pricing is determined when that pricing takes into account risks relating to future coverage periods.

Action: Staff

AASB Standard-Setting Frameworks – Tier 2 Principles for IFRS Disclosure Amendments

Agenda Item 15

The Board decided to clarify the principles in the *AASB For-Profit Entity Standard-Setting Framework* and the *AASB Not-for-Profit Entity Standard-Setting Framework* that outline the approach followed by the Board when it considers whether to add to or amend disclosure requirements in AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* for amendments made by the IASB to full IFRS Standards (and therefore Tier 1 Standards). The amendments will clarify that these principles also apply to circumstances when the IASB makes disclosure-only amendments to IFRS Standards.

The Board also decided to issue an Exposure Draft proposing amendments to AASB 1060 and other domestic Standards that would require entities to disclose material accounting policy information rather than significant accounting policies. The proposed amendments will be consistent with amendments already made to certain Standards by AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*. The Exposure Draft will have a 60-day comment period.

Action: Staff

Income of Not-for-Profit Entities

Agenda Item 16

The Board decided to add a narrow-scope project to its work program to consider implementation issues raised by not-for-profit sector stakeholders during targeted outreach regarding AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*. The Board noted the short-term nature of the project and observed that several matters raised by the stakeholders will be considered through the post-implementation review of AASB 1058 that is expected to commence in 2022. The issues to be addressed in the project will be considered further at a future meeting.

Action: Staff



Documents Open for Comment

Agenda Item 17

The Board noted the list of consultative documents already issued by other international standard-setting bodies and its previous decisions whether to comment on the documents.

Action: Staff

Other Business

Agenda Item 18

The Board voted to make *AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*. AASB 2021-5 amends AASB 112 *Income Taxes* to clarify the accounting for deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences. The amendments apply to periods beginning on or after 1 January 2023.

The Board noted the other matters covered and the materials provided under this agenda item.

Action: Staff

Review of the Meeting

Agenda Item 19 – discussed in private

The Board reviewed the conduct of the meeting.

Close of Meeting

The Chair closed the meeting at 3.20 pm on Tuesday, 22 June 2021.

Approval of Minutes

Signed by the Chair as a correct record,
this 4th day of August 2021.