

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates 29, 30 & 31 May 2007

**Question: bet 71 (AASB)**

**Topic: AASB Work Program**

**Hansard Page: E24**

**Senator WONG asked:**

Presumably either through your annual report or on notice you could go through your work program and just give me an indication of where you are at with those?

**Prof. Boymal**—Yes. Let me say that at our last board meeting, which was only last week, we got to a point of completion on quite a number of issues. We put out two new accounting standards and three exposure drafts. The two accounting standards related to the capitalisation of interest and inventory for the public sector. And the three exposure drafts were gap GFS for the whole of government—

**Senator WONG**—Yes, I want to come back to that. From page 7 onwards you have your work program in a table.

**Prof. Boymal**—Yes.

**Senator WONG**—I do not want a long explanation. I do not want to impose too much on you, but if you could perhaps print that off with a final table that just gave a little indication of where the status was, that would be much appreciated.

**Prof. Boymal**—Sure.

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#### Answer:

#### AUSTRALIAN ACCOUNTING STANDARDS BOARD WORK PROGRAM

#### PROGRESS MADE ON 2006-07 WORK PROGRAM

#### IASB-related projects involving significant AASB input

<i>Project</i>	<i>IASB Status</i>	<i>Outcomes to 30 June 2007</i>
Extractive Activities	Research project	<p>AASB leading a team (Canada, Norway &amp; South Africa) to develop draft recommendations for consideration by the IASB.</p> <p>The project team presented papers dealing with the potential measurement of reserves and resources on financial reports to an IASB meeting in October 2006.</p> <p>The project team has been gathering information from analysts around the world (through surveys and interviews) about the information they wish to see in the financial reports of extractive entities.</p> <p>The project team organised a group of analysts to attend an IASB meeting in June 2007 and discuss key aspects of the project.</p>
Intangible Assets	Research project	<p>AASB staff have prepared a number of papers for the consideration of the IASB and the FASB in connection with those Boards' need to make an agenda decisions in December 2007 about this project under the IASB/FASB MoU.</p> <p>This involved presentations to the IASB in October 2006, January and April 2007, and meetings with IASB Board advisors.</p>
Insurance Contracts Phase 2	Active project	<p>AASB staff reviewed and commented on drafts of the IASB's Discussion Paper <i>Preliminary Views on Insurance Contracts</i>, which was released in final form in May 2007.</p> <p>The AASB issued Invitation to Comment 13, which incorporates the IASB's Discussion Paper and outlines the potential impact of the preliminary views on current Australian practices.</p> <p>The AASB has conducted Insurance Roundtables with constituents in June 2007 on the preliminary views, with the involvement of IASB Board members and staff.</p>
Revenue Recognition	Convergence <sup>1</sup> project	<p>AASB staff have contributed to discussions about papers for consideration by the IASB and the FASB.</p>

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<sup>1</sup> "Convergence" denotes a project aimed at achieving greater convergence between the IASB and the FASB.

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#### *IASB-related projects involving monitoring by the AASB (in conjunction with New Zealand FRSB)*

<i>Project</i>	<i>IASB Status</i>	<i>Outcomes to 30 June 2007</i>
Non-financial Liabilities (Provisions)	Active project	Monitored IASB's progress (a revised Standard is due soon)
Puttable Instruments	Active project	The AASB examined comments from Australian constituents on ED 150 and (in turn) commented to the IASB on its proposals.  (A revised Standard is due soon)
Borrowing Costs	Convergence project	The AASB examined comments from Australian constituents on ED 149 and (in turn) commented to the IASB on its proposals.  A revised IFRS and revised AASB Standard have been issued.
Financial Statement Presentation Phase 1	Convergence project	The AASB examined comments from Australian constituents on ED 148 and (in turn) commented to the IASB on its proposals.  (A revised Standard is due soon)
Joint Ventures	Convergence project	Monitored IASB's progress (an Exposure Draft is due soon)
Segment Reporting	Convergence project	The AASB examined comments from Australian constituents on ED 145 and (in turn) commented to the IASB on its proposals.  A new IFRS and new AASB Standard have been issued.
Impairment	Convergence project	Monitored IASB's progress (limited progress has been made)
Income Tax	Convergence project	Monitored IASB's progress (limited progress has been made)
Earnings per Share	Convergence project	Monitored IASB's progress (an Exposure Draft is due soon)
Business Combinations Phase 2	Convergence project	Monitored IASB's progress (a revised Standard is due soon)
Fair Value Measurement Guidance	Convergence project	The IASB issued a Discussion Paper on which the AASB commented.  AASB staff attended Fair Value Roundtables conducted by the IASB
Small and Medium Sized Entities	Active project	The IASB issued an Exposure Draft of a Proposed IFRS for Small and Medium-sized Entities in March 2007. The AASB issued Invitation to Comment 12 incorporating the IASB's ED with a Preface outlining possible ways in which an SMEs Standard might be applied in Australia.  <b>This is now a major project of the AASB.</b>
Consolidation (including Special Purpose Entities)	Active project	Monitored IASB's progress (a revised Standard is due soon)

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<i>Project</i>	<i>IASB Status</i>	<i>Outcomes to 30 June 2007</i>
Conceptual Framework	Active project	<p>The IASB issued Preliminary Views on an improved Conceptual Framework for Financial Reporting: <i>The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information</i> in July 2006. The AASB issued an Invitation to Comment incorporating the IASB's Preliminary Views in July 2006 and conducted Roundtables to elicit views from Australian constituents.</p> <p>The AASB examined comments from Australian constituents on the Invitation to Comment and (in turn) commented to the IASB on its proposals.</p> <p>The AASB staff also participated with the staff of national standard setters from Canada, New Zealand and the UK in gathering information about the potential impact of the IASB's views if they were to be applied to not-for-profit and public sector entities.</p>
Post-employment Benefits	Research project	Monitored IASB's progress (limited progress has been made)
Measurement	Research project	Monitored IASB's progress (limited progress has been made)
Leases	Research project	Monitored IASB's progress (limited progress has been made)
Financial Instruments	Research project	Monitored IASB's progress (limited progress has been made)
Financial Statement Presentation Phase 2	Research project	Monitored IASB's progress (limited progress has been made)
Management Commentary	Research project	Monitored IASB's progress (limited progress has been made)

#### *IFAC-IPSASB-related projects involving monitoring by the AASB (in conjunction with New Zealand FRSB)*

<i>Project</i>	<i>IPSASB Status</i>	<i>Outcomes to 30 June 2007</i>
Non-exchange Revenues	Active project	<p>The AASB examined comments from Australian constituents on ED 145 and (in turn) commented to the IPSASB on its proposals.</p> <p>A new IPSAS has been issued, however, the AASB (and FRSB) do not support the approach taken by the IPSASB.</p> <p><b>This topic is now the subject of a major 'domestic' joint project between the AASB and the FRSB.</b></p>
Social Policy Obligations	Active project	The IPSASB has decided to progress this project in parts, dealing first with limited disclosures about Social Benefits and intends issuing an Exposure Draft shortly. AASB staff have commented on various drafts of the ED and associated papers.
GAAP/GFS convergence	Active project	Monitored IPSASB's progress (limited progress has been made)

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<i>Project</i>	<i>IPSASB Status</i>	<i>Outcomes to 30 June 2007</i>
Heritage Assets	Active project	The AASB commented on an IPSASB Discussion Paper.
Budget Reporting	Active project	Monitored IPSASB's progress (limited progress has been made)
Amending IPSASs for IASB Improvements	Active project	AASB staff have commented on various papers associated with the topics covered by the Improvements project.
Conceptual Framework	Research project	AASB staff developed a draft paper on Reporting Entity for use by the IPSASB, and provided comments to the IPSASB on papers dealing with other aspects of the project
Service Concessions	Research project	AASB staff have reviewed papers on the topic and participated in conference calls with the IPSASB and other national standard setters.

**New Zealand Convergence**

In adopting the IASB standards, both the AASB and the New Zealand FRSB originally removed optional treatments, added some disclosure requirements and catered for not-for-profit entities. In some cases, the amendments and additions made by the AASB are different from the amendments and additions made by the FRSB.

The AASB has reviewed all of its Australian equivalents to IFRSs in 2006-07, which involved the issue of two Exposure Drafts. As a result of the review, more than three quarters of the Australian equivalents to IFRSs have been amended to include the options contained in IFRSs and remove some of the additional Australian disclosure requirements. Some additional disclosure requirements remain and the not-for-profit paragraphs also remain. In the meantime, the FRSB has finalised its New Zealand equivalents to IFRSs (which are mandatory from 1 January 2007).

As a consequence of the work undertaken in Australia and New Zealand in 2006-07, the two sets of Standards have been converged to a more significant degree.

The Boards have undertaken to work together to remove as many of the remaining differences as possible in keeping with the need for Trans-Tasman co-operation on regulatory matters.

The AASB and the FRSB have also agreed to share resources to the extent feasible and in most cases have allocated one or other of the Boards to be the prime Board responsible for monitoring the work of the IASB and the IPSASB.

**Domestic GAAP / GFS Convergence Project**

<i>Project</i>	<i>Status</i>	<i>Outcomes to 30 June 2007</i>
General Government Sector reporting [Part 1 of Phase 1]	ED 142	The AASB considered comments on ED 142 and issued AASB 1049 <i>Financial Reporting of General Government Sectors by Governments</i> in September 2006.
Whole of Government (WoG) Sector reporting [Part 2 of Phase 1]	--	ED 155 <i>Financial Reporting by Whole of Governments</i> was issued in May 2007 for public comment.
PNFC & PFC Sectors [Part 3 of Phase 1]	--	The AASB will consider flow on consequences of the GGS and WoG work
Entities within the GGS (including government departments) [Phase 2]	--	The AASB will consider flow on consequences of the GGS and WoG work

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<i>Project</i>	<i>Status</i>	<i>Outcomes to 30 June 2007</i>
Other public sector entities (including local governments, universities & GBEs) [Phase 3]	--	The AASB will consider flow on consequences of the GGS and WoG work

#### Other Domestic Projects

<i>Project</i>	<i>Status</i>	<i>Outcomes to 30 June 2007</i>
Superannuation Plans	AAS 25 (1993)	<p>The AASB has been developing a Consultation Paper dealing primarily with the issues surrounding consolidation.</p> <p>The AASB has also considered a range of issues papers in preparation for developing an ED.</p>
Definition of Not-for-Profit Entities	Definition used in existing AASB standards	The AASB has received additional input for use in progressing this project from two studies undertaken by academics from the University of WA under the sponsorship of CPA Australia.
Review of Local Government, Government Department & Whole of Government	AAS 27, AAS 29 and AAS 31	<p>ED 156 <i>Proposals Arising from the Short-term Review of the Requirements in AAS 27, AAS 29 and AAS 31</i> was issued in June 2007 for public comment.</p> <p>The AASB also issued paragraph-by-paragraph analyses of AAS 27, AAS 29 and AAS 31 to facilitate constituents' consideration of the ED 156 proposals</p>
Review of Reporting Entity and GPFR/SPFR distinction	SAC 1 & SAC 2	<p>The IASB issued an Exposure Draft of a Proposed IFRS for Small and Medium-sized Entities in March 2007. The AASB issued an Invitation to Comment incorporating the IASB's ED with a Preface outlining possible ways in which an SMEs Standard might be applied in Australia.</p> <p>The AASB's Preface includes proposals for relying on the notion of General Purpose Financial Report (GPFR) rather than the reporting entity concept in determining the entities that should apply Standards. The AASB's proposals would involve the revision or withdrawal of SAC 1 &amp; SAC 2.</p>
Related Party Disclosures in the Public Sector	Currently scoped out of AASB 124	Limited progress has been made.
Segment Reporting in the Public Sector	Currently scoped out of AASB 114	<p>The AASB examined comments from Australian constituents on ED 145, which included questions about the suitability of the proposed approach in the public sector.</p> <p>Based on the responses received, the AASB will undertake separate work on segment reporting in the public sector.</p>
Administered Items	AAS 29	ED 156 (see Review of Local Government, Government Department & Whole of Government above) includes a proposed Standard on administered items.

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KMP disclosures – AASB 124 and section 300A convergence	AASB 124 Section 300A	AAS staff and Treasury staff have been consulting on avenues for rationalising the disclosure requirements for compensation and other related disclosures of key management personnel (KMP) currently set out in AASB 124 and section 300A of the <i>Corporations Act 2001</i> .  AASB staff provided comments on draft Treasury proposals and draft legislation during 2006-07.

#### *AASB/IFRIC Interpretations*

<i>Project</i>	<i>Status</i>	<i>Outcomes to 30 June 2007</i>
Service Concessions	Interpretation 12	IFRIC 12 and an equivalent Australian Interpretation have been issued and deal only with private sector operators in service concession arrangements.  An Interpretations Advisory Panel has been established to make recommendations to the AASB on the manner in which the AASB should proceed in respect of public sector grantors in service concession arrangements.
IFRIC projects	Active projects and Draft Interpretations as they arise	There were two Draft IFRIC Interpretations posted for comment on the AASB's web site in 2006-07. The AASB commented on both Drafts.  Three new Interpretations and two revised Interpretations were issued in 2006-07.
Domestic projects	Active projects as they arise	An AASB Interpretations Advisory Panel on Petroleum Resource Rent Tax was formed and has posted a draft recommendation on the AASB's web site.