



To:	AASB and FRSB members	Date:	8 March 2010
From:	Patricia McBride, Chris Neame, Cameron Hall, Angus Thompson, Latif Oylan	Agenda Item:	B5
Subject:	Trans-Tasman Convergence	File:	

Action

The Boards are asked to consider:

- the agenda papers and determine whether the Boards agree with the staff recommendation, and decide the next steps in this project;
- the working draft Exposure Draft (ED) attached as agenda item B5.1
- the Audit fee disclosures paper and the Dividend imputation tax disclosures paper attached as agenda items B5.2 and B5.3 respectively; and

This agenda memo includes the following:

- a background to this agenda paper;
- a summary of the proposals in ED;
- other matters;
- an outline of the proposed next steps;
- selected extracts from the minutes of the October 2009 joint meeting [see Appendix 1 of this agenda memo]; and
- selected extracts from the minutes of the AASB's February 2010 meeting and the FRSB's January 2010 meeting [see Appendix 2 of this agenda memo].



Background

The proposals in the ED reflect consideration and application of the tentative views expressed by the Boards at the October 2009 joint meeting and the comments from the Board's separate meetings in January 2010 and February 2010.

Relevant extracts from the minutes of the October 2009 joint meeting are included as Appendix 1 of this agenda memo. Refer to Appendix 2 of this agenda memo to see the relevant extracts from the AASB's February 2010 meeting and the FRSB's 2010 meeting.

Refer to pages 5 to 8 of agenda item B5.1 [the ED] to see information outlining the Amendment Proposals.

Refer to pages 67 and 69 of agenda item B5.1 [the ED] to see information outlining the proposed disclosure standard.

Summary of the proposals in the Exposure Draft

The tables below show a summary of the proposals in the ED.

Summary of the amendment proposals presented in the ED			
Proposals	AASBs	NZ IFRSs	Totals
Removal of a requirement	14	30	44
Relocation of a requirement	10	18	28
Alignment of a requirement	<u>1</u>	<u>15</u>	<u>16</u>
Totals	25	63	88

Summary of the disclosure standard proposals presented in the ED			
Proposals	AASBs	NZ IFRSs	Totals
Harmonised paragraphs	6	7	13
Additional paragraphs	<u>2</u>	<u>12¹</u>	<u>14</u>
Totals	8	19	27²

¹ Note that this number includes 11 paragraphs relating to Statements of Service Performance.

² Note that this number differs from that in the proposed amendments table because the new amended paragraphs to be established in the proposed standards were counted (overall New Zealand has adopted an additional AASB paragraph and Australia has removed two additional AASB paragraphs).



Other matters

As part of working with the ED, staff has identified a few minor items in the existing Standards that were not picked up in the list presented to the Boards in October 2009. These items related to differences from IFRSs within paragraphs not differences arising from added or deleted paragraphs. An example is the scopes of AASB 134 and NZ IAS 34 which are inconsistent with IAS 34. Staff proposes that the minor items identified to date be corrected via this ED. It is possible that there are other such items, but staff considers that the issuance of the ED should not be delayed as considerable time would be necessary to locate any such items.

Do the Boards agree with the staff proposed outlined above?

Proposed next steps

Staff propose the following next steps:

- to seek approval of the proposals in the ED;
- to seek approval for staff to continue to refine the presentation of the ED; and
- to move the project to the joint sub-committee to finalise the ED.

Do the Boards agree with the proposed next steps?



Appendix 1 - Selected extracts from the minutes of the October 2009 joint meeting

In terms of particular modifications from IFRSs, the Boards agreed to propose:

- i. deleting the disclosures about valuers in NZ IAS 16 *Property, Plant and Equipment* and NZ IAS 40 *Investment Property*;
- ii. deleting the additional disclosure requirements for particular line items in NZ IAS 34 *Interim Financial Reporting*;
- iii. deleting the AASB guidance from Interpretation 13 *Jointly Controlled Entities – Non-Monetary Contributions by Ventures*;
- iv. adding the cost measurement option to NZ IAS 40 *Investment Property*, with the exposure draft acknowledging the argument that the cost model has been included in IAS 40 to cater for jurisdictions without developed markets for investment property;
- v. adding the indirect presentation method to NZ IAS 7 *Cash Flow Statements*;
- vi. that the explanatory material in AASB 101 *Presentation of Financial Statements* and NZ IAS 1 *Presentation of Financial Statements* about the nature of the 'true and fair' disclosure approach under New Zealand and Australian law should be abbreviated and included in footnotes as references to the relevant legislation;
- vii. that the disclosure requirements relating to the respective dividend imputation taxation regimes in AASB 101 and NZ IAS 12 *Income Taxes* be made the same to the extent feasible and included in a disclosure standard in each jurisdiction; and
- viii. considering the continued relevance of Australian domestic interpretations applying to for-profit entities.



The Boards also agreed:

- i. to consult with the relevant regulators in each jurisdiction, and in the first instance with the TTAASAG, about government policy on:
 - a. requiring consolidated financial statements of domestic groups, since under *IAS 27 Consolidated and Separate Financial Statements* consolidated financial statements are not required of domestic groups if there are offshore group financial statements that comply with IFRSs, and assuming the requirements are retained, whether they might be amended to refer to requiring consolidated financial statements across Australia/New Zealand;
 - b. requiring disclosures about auditor remuneration (presently included in AASB 101 and NZ IAS 1); and
- ii. to propose that the individual key management personnel disclosure requirements in AASB 124 *Related Party Disclosures* be discussed at the next TASSAG meeting with a view to having them treated as governance disclosures to be included in the Australian Corporations law, if they are considered appropriate to retain.



Appendix 2 - Selected extracts from the minutes of the AASB's February 2010 meeting and the FRSB's January 2010 meeting

Relevant extract from the ASRB's February 2010 meeting

Australian/New Zealand Convergence - Agenda Item 12

The Board had before it:

- (a) a memorandum from Angus Thomson, Maybelle Chia, Patricia McBride and Chris Neame dated 13 January 2010 (Agenda paper 12.1);
- (b) a draft AASB/FRSB joint project plan: Australian/New Zealand Convergence (Agenda paper 12.2); and
- (c) an outline of draft Exposure Draft for Phase 1 (Agenda paper 12.3).

The Board received a verbal report on the decisions reached at the 28 January 2010 FRSB meeting and decided that, in line with the FRSB's decisions:

- (a) a draft document dealing with the majority of the issues pertinent to the first phase of the project in respect of 'Tier 1' accounting standards (that is, Standards that do not contain differential reporting concessions) for for-profit entities should be developed for consideration at the March 2010 joint meeting, with the intention that it forms the basis of the proposed Exposure Draft; and
- (b) the timelines for progressing this phase of the project should be shortened to the extent feasible.

The Board noted that the other two phases of the project relate to not-for-profit entities; and differential reporting.

The Board considered a draft AASB/FRSB joint project plan in Agenda paper 12.2 and:

- (a) noted that it should be proposed to locate domestic disclosures, such as those relating to dividend imputation credits, in separate disclosure standards in each jurisdiction; and
- (b) decided to form a joint subcommittee, made up of members from both Boards (see Action below), that will undertake a substantial amount of the review function and preliminary decision making, with the Boards being kept informed of progress throughout. If feasible, the draft papers for the March 2010 joint meeting should be subject to the prior consideration of the subcommittee.



The Board discussed the outline of a joint ED for phase 1 in Agenda paper 12.3 and expressed some preliminary views, namely, that the document should:

- (a) be simple to read, perhaps with the proposals for the differences and supporting principles shown in tables;
- (b) list any differences expected to remain between the jurisdictions, for example, NZ IAS 26 *Accounting and reporting by Retirement Benefit Plans* and AAS 25 *Financial Reporting by Superannuation Plans*;
- (c) make the Preface to the ED as brief as possible;
- (d) highlight transitional issues and the likely impact of applying AASB 108/NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*; and
- (e) propose that the amendments resulting from the project should be able to be adopted early on a Standard-by-Standard basis.

Action: Staff, Ms Crook, Ms Hodgkins, Ms Peach, Ms Perry, Mr Rix, Chairman



Relevant extract from the FRSB's January 2010 meeting

B15 Trans-Tasman Convergence Review

B15.1 Consider memo from AASB/FRSB staff

B15.2 Consider the draft joint project plan for the trans-Tasman convergence project

B15.3 Consider the draft outline ED for Phase 1 of the trans-Tasman convergence project

The FRSB considered Agenda items B15.1, B15.2 and B15.3.

The FRSB noted its concern regarding the lack of urgency in progressing the project and reconfirmed that this project is a high priority. Specifically the FRSB noted that the proposed timetable was too long and the FRSB requested that staff work to reduce the proposed timeline, with the objective of presenting an Exposure Draft at the joint meeting in March 2010.

The FRSB acknowledged that there were some very specific New Zealand standards such as the following which would probably need to be kept outside the scope of the convergence review at this point.

- FRS 42 *Prospective Financial Statements*,
- FRS 43 *Summary Financial Statements*; and
- Appendix E of NZ IFRS 7 *Financial Instruments: Disclosures*

However it was acknowledged that it may be an apt time to review the appropriateness of the Appendix E requirements.

The FRSB considered the application requirements of the proposals and noted further work was needed once the ED had been finalised.

The FRSB agreed to the formation of a joint sub-committee and nominations were received from Joanna Perry, Kimberley Crook and Denise Hodgkins.