

## ACCOUNTING STANDARDS BOARD

### Minutes of a meeting of the Accounting Standards Board (2008:09) held on 23 July 2009 at Aldwych House, 71-91 Aldwych, London, WC2

#### PRESENT

Ian Mackintosh	Chairman
David Loweth	Technical Director
Nick Anderson	
Mike Ashley	
Edward Beale	
Andy Simmonds	
Geoffrey Whittington	

#### IN ATTENDANCE

Andrew Lennard	ASB Research Director
Larry Pinkney	HM Treasury
David Tyrrall	BERR
Peter Godsall	Secretary
Roger Nicklen	Minutes Secretary

Technical Staff: Mario Abela (CMC), Jennifer Guest, Melanie Kerr (MDK) and Michelle Sansom.

APOLOGIES FOR ABSENCE were received from Marisa Cassoni, Peter Elwin, Ken Lever (who had sent in written comments) and Robert Overend.

#### 1 UPDATE ON RECENT EVENTS

##### *International developments*

##### 1.1 The Board received oral reports on:

- a. The meeting with the IASB on 20 July of representatives from EFRAG, the ASB and the French and German standard setters at which the IASB had been pressed their concerns about the volume of IASB consultations, the concentration on convergence and the need to get back to quality
- b. The European Commission's stakeholder meeting on 22 July, which had been summed up by the Chair that while there was agreement in principle that things needed to be simplified there appeared to be no willingness to compromise in order to achieve it.
- c. A FEE meeting with the IASCF Trustees on 23 July, at which there had been some exposure of FEE's new policy position that convergence

should move down the agenda and that the quality of standards should be given greater priority.

- 2 IASB DISCUSSION PAPER 'CREDIT RISK IN LIABILITY MEASUREMENT'
  - 2.1 The Board considered further the IASB Discussion Paper (DP) 'Credit Risk in Liability Measurement'.
  - 2.2 The Board approved responses to the IASB and to EFRAG in which the main points were that:
    - a. the Board had no evidence that inconsistency in the treatment of credit risk impeded financial reporting,
    - b. users' needs might actually be impeded by the inclusion of credit risk in the measurement of liabilities,
    - c. credit risk should not be taken into account on initial measurement except for exchange transactions,
    - d. where credit risk was taken into account in initial measurement it was not appropriate to take account of credit risk in subsequent measurement,
    - e. credit risk was only an issue under a fair value model, and
    - f. where the intention was to eliminate accounting mismatches credit risk would increase rather than mitigate the mismatch.
- 3 IASB DISCUSSION PAPER 'LEASES - PRELIMINARY VIEWS'
  - 3.1 The Board considered the IASB's Discussion Paper (DP) 'Leases - Preliminary Views'.
  - 3.2 The Board discussed:
    - a. the relative merits of the IASB's 'most likely' approach to determining the lease term and contingent rental amount and an alternative 'more likely than not' approach and concluded on balance that it would favour the latter,
    - b. the need for the standard to avoid imposing requirements to assign probabilities to all possible outcomes before reaching a conclusion,
    - c. the desirability of dealing with lessor accounting as well as lessee accounting but concluded that a standard on lessee accounting should not be delayed if lessor accounting could not be resolved speedily.
  - 3.3 The Board approved responses to the IASB and to EFRAG.

4 THE FINANCIAL REPORTING OF PENSIONS

4.1 The Board approved its report 'The Financial Reporting of Pensions: Recommendations and Feedback' for submission to the European standard setters that had supported the original Discussion Paper before final publication.

4.2 The Board agreed to:

- a. offer the opportunity for European standard setters to support the final report on the same basis as the original Discussion Paper and to include short dissenting paragraphs if they wished, and
- b. set a deadline for responses of 30 September.

5 IASB EXPOSURE DRAFT OF PROPOSED AMENDMENTS TO IFRIC 14 'PREPAYMENTS OF A MINIMUM FUNDING REQUIREMENT'

5.1 The Board considered the IASB's Exposure Draft (ED) 'Prepayments of a Minimum Funding Requirement' and EFRAG's draft comment letter.

5.2 The Board commissioned responses supporting the IASB's proposals and endorsing EFRAG's support of those proposals.

6 AMENDMENTS TO FRS 20 (IFRS2) SHARE-BASED PAYMENT 'GROUP CASH-SETTLED SHARE-BASED PAYMENT TRANSACTIONS'

6.1 The Board considered amendments to FRS 20 'Share-based Payment' in line with the IASB's amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions and EFRAG's invitation to comment on its positive assessment for EU endorsement of the IASB's amendments.

6.2 The Board:

- a. agreed that FRS 20 should be amended to incorporate the IASB amendments to IFRS 2 and that UITF Abstract 41 (IFRIC 8) and that UITF Abstract 44 (IFRIC 11) should be withdrawn, and
- b. approved a response to EFRAG supporting its endorsement advice.

7 APPOINTMENTS

*Registered Social Landlords SORP Working Party*

7.1 The Board approved the appointment of Murray Smith to the Registered Social Landlords SORP Working Party.

*Committee on Accounting for Public-benefit Entities*

7.2 The Board agreed to the re-appointment of Richard Bray and Miles Hedges to the Committee on Accounting for Public-benefit Entities (CAPE) for a period of two years to 31 August 2011.

7.3 The Board agreed to the appointment of Geoffrey Whittington to CAPE for a period of two years to 31 August 2011.

8 IASB EXPOSURE DRAFT 'FAIR VALUE MEASUREMENT'

8.1 The Board considered the IASB's Exposure Draft (ED) 'Fair Value Measurement' and discussed the basis on which the staff should prepare a response.

8.2 The Board reflected on a number of issues arising from the IASB's proposals including:

- a. the importance of the proposals in the ED not pre-empting the wider debate on fair value measurement
- b. the need for the scope of the proposed standard to be limited to financial instruments and
- c. the case for dropping the term 'fair value' in favour of 'current exit value' as the appropriate measure for financial instruments.

9 CCAB STATEMENT OF RECOMMENDED PRACTICE 'ACCOUNTING BY LIMITED LIABILITY PARTNERSHIPS'

The Board considered the draft Consultative Committee of Accounting Bodies (CCAB) Statement of Recommended Practice (SORP) 'Accounting by Limited Liability Partnerships (LLPs)' and agreed to support publication of the draft SORP.

10 ANY OTHER BUSINESS

The Chairman paid tribute to Geoffrey Whittington's service to the ASB over a period of 19 years, which was coming to a close at the end of August (although he was to continue his association as a member of CAPE) and wished him well for the future.

11 NEXT MEETING

Thursday 3 September, 9.00 a.m.