



**Minutes of a meeting of the Accounting Standards Board (2010:08)
held on 14 July 2010 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

Ian Mackintosh	Chairman
David Loweth	Technical Director
Nick Anderson	
Edward Beale	
Marisa Cassoni	
Ken Lever	
Robert Overend	
Andy Simmonds	
Pauline Wallace	

IN ATTENDANCE

Matt Blake	HMRC (for Items 1-6)
Baroness Sarah Hogg	FRC Chairman (for Items 1-6)
Michael Kavanagh	IAASA
Andrew Lennard	ASB Research Director
David Tyrrall	BIS (for Items 1-6)
Chris Wobschall	HM Treasury
Ian Wright	FRC Director of Corporate Reporting (for Item 3)
Roger Nicklen	Minutes Secretary

Technical Staff: Jenny Carter, Jennifer Guest, Seema Jamil-O'Neill, Katherine Martin, Helen Poole, Deepa Raval, Michelle Sansom.

APOLOGIES FOR ABSENCE were received from Peter Elwin.

The Chairman welcomed Baroness Sarah Hogg, Chairman of the FRC.

1 MINUTES OF MEETING

- 1.1 The minutes of the meeting held on 17 June 2010 (2010:07) were agreed and approved for publication.

2 CHAIRMAN'S UPDATE AND REPORTS

- 2.1 The Board received an update on latest developments in relation to global financial crisis developments, other International Accounting Standards Board (IASB) and further international developments, European Financial

Reporting Advisory Group (EFRAG) and other European developments, Financial Reporting Council (FRC) developments and Accounting Standards Board (ASB) developments.

2.2 The Board noted publication of:

- a. the joint IASB/Financial Accounting Standards Board (FASB) 'Progress Report on Commitment to Convergence of Accounting Standards and a Single Set of High Quality Global Accounting Standards',
- b. the revised IASB Work Plan,
- c. the EFRAG Consultation on Pro-Active Work,
- d. the joint FRC and Financial Services Authority (FSA) Discussion Paper 'Enhancing the auditor's contribution to prudential regulation', and
- e. the first Stewardship Code for institutional investors.

2.3 The Board noted the Status report and approved its publication.

3 THE FUTURE OF UK GAAP

3.1 The Board resumed its re-deliberations on the future of UK GAAP.

3.2 The Board discussed a number of issues relevant to all three tiers of financial reporting: the future of ASB Reporting Statements and Statements, related parties, the future of Statements of Recommended Practice (SORPs) and effects analysis.

3.3 The Board agreed to:

- a. retain the Reporting Statement 'Operating and Financial Review' for the time being,
- b. withdraw the Reporting Statement 'Retirement Benefits - Disclosures' when the revised IAS 19 'Employee Benefits' was issued,
- c. withdraw the Statement 'Half-yearly Financial Reports',
- d. retain and update the Statement 'Preliminary Announcements',
- e. amend the definition of related parties in the Financial Reporting Statement for Smaller Entities (FRSSE) to bring it in line with the definition in IAS 24 'Related Party Disclosures',
- f. remove the related parties disclosure exemption, set out the arguments for removal and retention and seek views,
- g. consider at a future meeting whether the Leases SORP should be withdrawn when the IASB's current project on leases was complete or when SSAP 21 'Accounting for leases and hire purchase contracts' was withdrawn,
- h. consider at a future meeting updating the Board's Statement on its Policy and Code of Practice in relation to SORPs,

- i. to include in the forthcoming Financial Reporting Exposure Draft on the Future of UK GAAP (FRED) the words from FRS 18 'Accounting Policies' that had the effect of requiring SORPs to be applied.
- 3.4 The Board:
- a. noted the importance, in terms of obtaining Ministerial support for its proposals on the Future of UK GAAP, of having a robust impact assessment and the inherent difficulties in quantifying the benefits, and
 - b. approved the use of a questionnaire focused on costs and benefits, in order to obtain further evidence of the views of users and preparers.
- 3.5 The Board considered an incomplete pre-draft of Financial Reporting Exposure Draft 43: 'Financial Reporting Requirements in the United Kingdom'.
- 3.6 The Board:
- a. discussed a number of ways of ensuring that the concept behind its proposals was presented in the clearest possible terms and, in particular to ensure clarity around the basic rules that under the Board's proposals -
 - i) a publicly accountable reporting entity (group or individual entity) had to use EU-adopted IFRS and non-publicly accountable reporting entities (groups or individual entities) could, depending in their size, use the FRSSE or the IFRS for SMEs, and .
 - ii) non-publicly accountable subsidiaries would have the option of reporting under tier 1 or tier 2 and would have disclosure exemption options under both tiers (provided those matters were covered in the group accounts) regardless of whether the group accounts were prepared under tier 1 or tier 2, and
 - b. agreed to include the full text of the UK version of the IFRS for SMEs in its FRED and to make a marked up version (from the IASB text) available on its website.
- 3.7 The Board resumed its consideration of the definition of public accountability and its application to particular entities.
- 3.8 The Board:
- a. agreed an adjustment to the definition of public accountability to link deposit taking to a broad group of outsiders,
 - b. approved a description of a broad group of outsiders as people not involved in the management of an entity who had to rely on general purpose financial statements for information, and
 - c. approved the basis for the guidance in the FRED on which categories of entity were publicly accountable.

- 3.9 The Board gave further consideration to the financial reporting framework for UK GAAP.
- 3.10 The Board:
- a. re-affirmed its view that prudentially regulated publicly accountable entities that met all three of the FRSSE criteria would be permitted to report under tier 2, and .
 - b. tentatively agreed that mutual funds, investment trusts, venture capital trusts and exchange traded funds were all publicly accountable.
- 3.11 The Board gave further consideration to the disclosure framework for subsidiaries.
- 3.12 The Board:
- a. confirmed its view that publicly accountable subsidiaries should report under EU-adopted IFRS and should not be permitted any disclosure exemptions, .
 - b. agreed that the 'good reasons' for a mixed group should include the existence of a publicly accountable subsidiary, rather than just a publicly traded subsidiary,
 - c. indicated that it would be content for some subsidiaries within a group to be in tier 1S and some in tier 2S.
 - d. agreed that disclosure exemptions for subsidiaries should be allowed where all the disclosure requirements were met in the group accounts, even where the disclosures were made in aggregate,
 - e. agreed that disclosure exemptions for subsidiaries should be allowed where there were abbreviated disclosures in the group accounts provided that the disclosures would not be material at subsidiary level,
 - f. agreed that the issue of equivalence of information disclosed at group level should be addressed by the provision of guidance within the FRED, and
 - g. deferred for later consideration exemptions from the disclosure requirements in IAS 36 'Impairment of Assets' that were additional to those in FRS 11 'Impairment of Fixed Assets and Goodwill'.
- 3.13 The Board also agreed:
- a. not to specify a qualifying ownership percentage for subsidiaries allowed disclosure exemptions, and
 - b. to give minority shareholders the right to require full disclosures.
- 3.14 The Board considered how to address the problem that entities applying the requirement in the IFRS for SMEs for recognition and measurement of certain financial liabilities at fair value would not be in compliance with the

Accounting Directives unless they gave additional disclosure in IFRS 7 'Financial Instruments: Disclosures'.

- 3.15 The Board:
- a. approved the amendments to paragraphs 11.2 and 12.8 of the IFRS for SMEs, and
 - b. agreed to consider further whether to paste into the IFRS for SMEs the relevant requirements from IFRS 7 (rather than provide cross references) in the light of staff advice on whether this could be achieved simply.
- 3.16 The Board also agreed that FRS 26 should not be retained for use by IFRS for SME entities and that the reference in the IFRS for SMEs to IAS 39 should be replaced with a reference to IAS 39 (as adopted by the EU).
- 3.17 The Board considered the package of amendments to the IFRS for SMEs covering UK specific amendments, amendments to address incompatibilities with the Directives identified by EFRAG and amendments to remove options not permitted under EU law.
- 3.18 The Board:
- a. asked the staff to check for any unintended consequences from the way in which reference was being made to IAS 12 'Income Taxes',
 - b. agreed that the text of IAS 12 should be pasted into the IFRS for SMEs rather than just providing a cross reference,
 - c. agreed with the removal of certain options for associates and joint ventures, and
 - d. noted that exceptional items would be allowed.
- 3.19 The Board also:
- a. endorsed the disclosure exemptions proposed for subsidiaries reporting under tier 2S,
 - b. agreed that all international references should be replaced with UK equivalents in the FRED, and
 - c. agreed that section 1 of the IFRS for SMEs could be removed from the UK version.
- 3.20 The Board considered a number of issues relating to the requirements for parent company individual financial statements.
- 3.21 The Board agreed that:
- a. parent companies could look to section 408 of the Companies Act to determine whether they may omit the company's individual profit and loss account from the annual accounts,
 - b. parent entities within tier 2 should, within the context of a set of consolidated accounts, be permitted an exemption from preparation of

- a cash flow statement, but non-publicly accountable parent entities reporting under tier 1 should not be permitted that exemption,
- c. publicly accountable ultimate parent entities should not be permitted disclosure exemptions,
 - d. non-publicly accountable ultimate parent entities should not be permitted disclosure exemptions, and
 - e. intermediate parent entities and intermediate holding companies preparing group accounts, as subsidiaries, should be permitted disclosure exemptions.
- 3.22 The Board considered what title to give to the UK version of the IFRS for SMEs.
- 4 IASB DISCUSSION PAPER 'EXTRACTIVE ACTIVITIES'
- 4.1 The Board considered the IASB's Discussion Paper (DP) 'Extractive Activities' and EFRAG's draft comment letter.
- 4.2 The Board:
- a. approved a response to the IASB questioning the value of the project and arguing that if it were to proceed further then there were a number of issues not addressed in the DP that would need to be addressed before proceeding to an exposure draft.
 - b. agreed that no response should be sent to EFRAG other than to send them a copy of the Board's response to the IASB.
- 5 IMA STATEMENT OF RECOMMENDED PRACTICE (SORP) 'FINANCIAL STATEMENTS OF AUTHORISED FUNDS'
- 5.1 The Board considered a draft Exposure Draft (ED) of the Investment Management Association (IMA) SORP 'Financial Statements of Authorised Funds' which had been revised to take account of the issues for investment funds arising from the puttable amendment to FRS 25 (IAS 32) 'Financial Instruments: Disclosure and Presentation' and to deal with a couple of other issues arising under the regulations.
- 5.2 The Board approved publication of the Exposure Draft of the amended Investment Management Association (IMA) Statement of Recommended Practice (SORP) 'Financial Statements of Authorised Funds.'

- 6 US FINANCIAL ACCOUNTING STANDARDS BOARD (FASB) EXPOSURE DRAFT 'ACCOUNTING FOR FINANCIAL INSTRUMENTS AND REVISIONS TO THE ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES'
- 6.1 The Board gave preliminary consideration to the FASB Exposure Draft (ED) 'Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities'.
- 6.2 The Board asked the staff to prepare an overview response concentrating on the importance of convergence.

- 7 IASB EXPOSURE DRAFT ED/2010/5 'PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME - PROPOSED AMENDMENT TO IAS 1'
- 7.1 The Board considered the IASB Exposure Draft (ED) 'Presentation of Items of Other Comprehensive Income - Proposed Amendment to IAS 1' and EFRAG's draft comment letter.
- 7.2 The Board:
 - a. approved a response to the IASB commenting that the effect of the proposal would be minimal, but there was a greater need to review the principles relating to other comprehensive income, and
 - b. approved a response to EFRAG disagreeing with its strong opposition to the ED.

- 8 APPOINTMENTS TO THE COMMITTEE ON ACCOUNTING FOR SMALLER ENTITIES
- 8.1 The Board approved the reappointments of Sara Harvey and Professor Mike Page as members of the Committee on Accounting for Smaller Entities (CASE) for the two year period to 30 June 2012.

- 9 EFRAG AND IASB UPDATE
- 9.1 The Board noted the 'Update' reports of:
 - a. the June meeting of EFRAG's Technical Experts Group (TEG);
 - b. the 10 June meeting of the International Accounting Standards Board (IASB), together with the US Financial Accounting Standards Board (FASB); and
 - c. the 14-17 June meeting of the IASB and FASB.

10 NEXT MEETING

Thursday 2 September, 9.00 a.m.