



ACCOUNTING STANDARDS BOARD

**Minutes of a meeting of the Accounting Standards Board (2007:15)
held on 13 December 2007 at Aldwych House, 71-91 Aldwych, London WC2**

PRESENT

Ian Mackintosh	Chairman
David Loweth	Technical Director
Nick Anderson	
Edward Beale	
Marisa Cassoni (MC)	Items 1-6
Robert Overend	
Geoffrey Whittington	

IN ATTENDANCE

Andrew Lennard	Director of Research
David Tyrrall	BERR
David Watkins	HM Treasury
Simon Peerless	Secretary
Evelyn Ryle	Minutes Secretary

Technical Staff: Michelle Crisp (MDC) and Seema Jamil-O'Neill (SJO).

APOLOGIES FOR ABSENCE were received from Mike Ashley, Peter Elwin, Andy Simmonds and Helen Weir.

1 MINUTES

The minutes of the meeting held on 23 November 2007 (2007:14) were agreed and approved for publication.

2 CHAIRMAN'S UPDATE AND REPORTS

2.1 The Board received a report on agenda proposals for the International Accounting Standards Board (IASB) and noted that the IASB had decided to pursue three limited scope projects – common control transactions, emissions trading and government grants and best practice guidance on management commentary. Two IASB exposure drafts (EDs) had been published: (a) determining the cost of an investment with separate financial statements; (b) group cash-settled share-based payment arrangements. Proposed responses would be considered by the Board at future meetings. The revised date for publication of International Financial Reporting Standard (IFRS) 3 'Business Combinations' was 10 January 2008.

2.2 The Technical Experts Group (TEG) of the European Financial Reporting Advisory Group (EFRAG) had discussed its response to the IASB's ED on IFRS for

Small and Medium-Sized Entities but its final response had not yet been issued. The Board took note of the agenda for the forthcoming meeting of EFRAG TEG, which included discussions on 'effects studies' for various endorsement proposals which were in the pipeline.

2.3 Work was continuing with the Financial Reporting Council (FRC) in relation to the current market situation. An FRC press notice, including a set of questions for consideration by audit committees, was likely to be issued within a week.

2.4 The Board noted that the Chairman had attended a conference of the British Bankers' Association. He had also attended a conference at St James's Palace on sustainability accounting. The fully worked model which had been prepared for that conference would shortly be available on the sustainability website and provided interesting material for discussion.

2.5 The Board approved publication of the status report on the website.

3 FINANCIAL REPORTING OF PENSIONS: PAAinE DISCUSSION PAPER

3.1 The Board noted that no technical issues had been raised on the near-final draft of the Pro-active Accounting Activities in Europe (PAAinE) discussion paper on pensions. It would be presented to European standard-setters and to TEG before Christmas and would be considered for approval to publish by the PAAinE co-ordinators before the year end, with the aim of publication by the end of January 2008.

3.2 The Board recommended early publication of the paper as a basis for discussion of pensions issues but noted that, if any substantial issues were raised during the final stages, the Board would be consulted before decisions were taken.

4 IASB PROJECT: JOINT ARRANGEMENTS

4.1 The Board considered draft responses to EFRAG and to the IASB on the IASB's ED 9, 'Joint Arrangements'. The Board noted that three types of joint arrangements were being proposed, two of which were similar to the provisions of International Accounting Standard (IAS) 31, but the third of which changed the definition of a joint venture.

4.2 The Board commented that some of the provisions of ED 9 seemed difficult to interpret, possibly because of defective drafting. Clarification would be sought. The Board supported the proposal in ED to eliminate proportionate consolidation. That had been the Board's policy also, although the Board noted that EFRAG wished proportionate consolidation to be retained. The Board noted the relationship between ED 9 and the IASB's project on consolidation.

4.3 The Board agreed that the revised draft responses to EFRAG and to the IASB would be circulated to members for clearance outside the meeting.

5 LIABILITIES AND EQUITY: DRAFT PAAinE PAPER

5.1 The Board received a report on the draft PAAinE paper on liabilities and equity which proposed a novel criterion for distinguishing equity: the ability to share in losses of the entity. The paper had been prepared by a German working group and a European one.

5.2 Board members expressed some concerns about whether the novel approach would in fact deal with the issues. It was noted that the approach might be helpful in some circumstances but did not, for example, address voting rights. However, the paper could add to the discussions on liabilities and equity which currently rested with three papers produced by the Financial Accounting Standards Board (FASB) of the USA. The Board therefore supported the publication of the paper. It was suggested that the status of the paper should, however, be made clearer.

6 IASB/FASB CONCEPTUAL FRAMEWORK PROJECT

6.1 The Board received an update on progress on the IASB/FASB conceptual framework project and noted a number of tentative decisions taken by the IASB.

6.2 The Board noted, with concern, that the non-comprehensive approach to updating the Framework would lead to considerable inconsistencies between chapters which had been revised and chapters which had not. It noted, for example, that 'reliability' would be replaced by 'faithful representation' in the first two chapters, although 'reliability' would remain elsewhere. The Board was not persuaded that the terms were interchangeable. The process was inefficient and the results were confusing.

6.3 The Board also expressed concerns about the enforceability test proposed for liabilities which would impact on constructive obligations. Probability was also to be removed from recognition and considered within measurement. Moreover, recognition itself appeared not to have been addressed. The Board commented that, given the importance of derecognition for financial instruments, that appeared to be a strange decision.

7 IMA SORP WORKING PARTY

The Board agreed the proposed composition of a working party of the Investment Management Association to revise the Statement of Recommended Practice (SORP) for their industry.

8 APPOINTMENTS

8.1 The Board approved the appointment of Tim Bush to the Urgent Issues Task Force (UITF).

8.2 The Board approved the re-appointments of Lynn Hine and Pesh Framjee to the Committee on Accounting for Public-benefit Entities (CAPE).

9 EFRAG AND IASB UPDATES

The Board noted update reports on the November meetings of EFRAG TEG and the IASB.

10 NEXT MEETING

Thursday, 10 January 2008, at 9.00 a.m.