



**Minutes of a meeting of the Accounting Standards Board (2008:11)  
held on 25 September 2008 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

Ian Mackintosh	Chairman
David Loweth	Technical Director
Nick Anderson	
Edward Beale	
Ken Lever	
Robert Overend	
Andy Simmonds	
Geoffrey Whittington	

IN ATTENDANCE

Bob Garnett	IASB
Alan Teixeira	IASB (for Item 1)
Michael Buschheuter	IASB (for Item 1)
Andrew Lennard	Director of Research
David Tyrrall	BERR
Larry Pinkney	HM Treasury
Simon Peerless	Secretary
Roger Nicklen	Minutes Secretary

Technical Staff: Michelle Crisp (MDC), Peter Godsall, Jennifer Guest, Seema Jamil-O'Neill and Alan O'Connor.

APOLOGIES FOR ABSENCE were received from Mike Ashley, Marisa Cassoni and Peter Elwin.

The Chairman welcomed Alan Teixeira and Michael Buschheuter from the IASB who were attending to make a presentation on the proposed International Financial Reporting Statement (IFRS) on consolidated financial statements.

**1 PROPOSED INTERNATIONAL FINANCIAL REPORTING STATEMENT  
(IFRS) ON CONSOLIDATED FINANCIAL STATEMENTS**

1.1 The Board received an oral presentation on progress in the development of the proposed International Financial Reporting Statement (IFRS) on consolidated financial statements and was informed of an additional International Accounting Standards Board (IASB) meeting to be held on 2 October to discuss four aspects of the credit crisis response: fair value measurement and liquidity risk amendments to IFRS 7 'Financial Instruments: Disclosures'; how to scope disclosures of off balance

sheet activities sufficiently closely related to economic activity to be of concern and the latest draft of the Exposure Draft of the proposed consolidation standard.

1.2 The Board was briefed on the changes to the proposed ED since the last staff draft (made in the light of feedback from the IASB roundtables), and on the comparisons between the IASB and Financial Accounting Standards Board (FASB) work on consolidations and the prospects for a common standard.

1.3 The topics covered in the discussion that followed included:

- a. Presentation of the core elements of control - that it was not shared, it had to be current and there needed to be continuous assessment.
- b. Entities directed by a means other than a governing body.
- c. Control in the absence of power.
- d. Reputational risk.
- e. The treatment of linked transactions.
- f. Supplier/purchaser market dependency.
- g. Protective rights v participative rights.
- h. De facto control.
- i. Disclosures to be proposed in the ED.

## 2 MINUTES AND NOTE OF MEETING

2.1 The minutes of the meeting held on 4 September 2008 (2008:10) were agreed and approved for publication.

## 3 CHAIRMAN'S UPDATE AND REPORTS

3.1 The Board was informed of:

- a. the IASB's intention to re-expose its draft standard on related parties, which had implications for the Board's plans to converge Financial Reporting Standard (FRS) 8 with its international equivalent;
- b. the appointment of a 14th member to the IASB (Prabhakar Kalavacherla);
- c. the forthcoming Pro-active Accounting Activities in Europe (PAAinE) meeting on 7 October; and
- d. that publication by the US Securities and Exchange Commission (SEC) of a Roadmap that could lead to the use of IFRS by US issuers beginning in 2014 was still awaited.

3.2 The Board noted publication of:

- a. the IASB/FASB update to their 2006 Memorandum of Understanding (MoU), and
- b. Financial Reporting Council (FRC) responses to the International Accounting Standards Committee Foundation (IASCF) on its 'Review of the Constitution: Public Accountability and the Composition of the IASB -

Proposals for Change' and to the European Financial Reporting Advisory Group (EFRAG) on its proposals 'Strengthening the European Contribution to the International Standard-setting Process'

3.3 The Board noted the status report and the activity report and approved the status report for publication.

#### 4 IASB/FASB CONCEPTUAL FRAMEWORK PROJECT

4.1 The Board considered its responses to the IASB/FASB Exposure Draft (ED) on phase A of the Conceptual Framework Project (Objectives and Qualitative Characteristics) and the IASB/FASB Discussion Paper (DP) on phase D (Reporting Entity) and to the related EFRAG draft comment letters.

4.2 The Board approved a response to the ED that highlighted its continuing concerns about the planned piecemeal finalisation of the Framework project; adoption of the entity perspective; stewardship; boundaries of financial reporting; the replacement of "reliability" with the notion of "faithful representation" and the status of "verifiability"; the artificial differentiation between fundamental and enhancing qualitative characteristics; the emphasis on the true and fair view; and the absence of any discussion of going concern..

4.3 The Board approved a response to the DP that highlighted its concerns in relation to: the importance of the risks and rewards model to the conceptual framework and the need for the IASB to reconsider its decision not to develop the model further; the deficiencies in the definition of control; adoption of the entity perspective; and applicability of the PV decisions to not-for-profit entities.

4.4 The Board also approved responses to EFRAG on its draft comment letters on the ED and DP.

#### 5 IASB DISCUSSION PAPER (DP) 'PRELIMINARY VIEWS ON AMENDMENTS TO IAS 19 'EMPLOYEE BENEFITS''

5.1 The Board further considered its response to the IASB on its Discussion Paper (DP) 'Preliminary Views on Amendments to IAS 19 'Employee Benefits'' and also considered its response to EFRAG's draft comment letter on the DP.

5.2 The Board approved a response to the IASB that: declined to support the IASB's proposal to introduce the definition of contribution-based promises; highlighted the Board's concerns with the proposal that an entity should measure its liability for a contribution-based promise at 'fair value assuming the terms of the benefit approach do not change'; recommended reference to 'commitments' rather than 'promises'; and indicated a preference for Approach 1 with some appreciation of the case for Approach 3 as a possible pragmatic interim step.

5.3 The Board also approved a response to EFRAG's draft response to the DP.

#### 6 AMENDMENT TO FRS 26 (IAS 39) 'ELIGIBLE HEDGED ITEMS'

6.1 The Board considered the responses received by the IASB to its exposure draft of amendments to IAS 39 'Financial Instruments: Recognition and Measurement'

and the responses received by the ASB to its exposure draft of amendments to FRS 26 (IAS 39) 'Financial Instruments: Recognition and Measurement'.

6.2 The Board noted that the IASB had responded to constituent's comments by focussing on the two situations in which there was likely to be an issue in practice and had, in the place of its original proposals developed additional application guidance and that most of the concerns expressed to the ASB in response to its own exposure draft had been addressed in the changes made by the IASB.

6.3 The Board approved publication of the proposed amendment to FRS 26 (IAS 39) 'Eligible Hedged Items' subject to the usual fatal flaw review.

## 7 UITF ABSTRACT 46 (IFRIC INTERPRETATION 16) 'HEDGES OF A NET INVESTMENT IN A FOREIGN OPERATION'

7.1 The Board approved publication of UITF Abstract 46 (IFRIC Interpretation 16) 'Hedges of a Net Investment in a Foreign Operation' with the same application date as IFRIC 16.

## 8 2009 LOCAL AUTHORITY SORP

8.1 The Board considered the implications for its Statement of Assurance on the issues arising from CIPFA/LASAAC's proposal in their latest Statement of Recommended Practice (SORP) revision to require PFI projects to be accounted for in accordance with IFRIC 12 'Service Concession Arrangements'. The Board noted the expected consequence would be to bring PFI projects onto local authority balance sheets. The Board also noted that CIPFA/LASAAC's main reason for making the change was related to the need for local authorities to make a transition to IFRS-based accounting to fit in with central government arrangements for whole of government accounts.

8.2 The Board agreed, provisionally, that it could issue a modified Statement of Assurance, subject to further analysis of the differences from the current SORP.

## 9 THE BEHAVIOURAL CONSEQUENCES OF ACCOUNTING STANDARDS WITH REFERENCE TO PENSIONS

9.1 The Board held a preliminary discussion on the main considerations to be taken into account in addressing the issue of the behavioural consequences of setting standards, with particular reference to pensions.

## 10 UPDATE ON THE DISCUSSIONS BY THE IASB AND OTHER ORGANISATIONS ON THE IMPLICATIONS FOR ACCOUNTING OF CURRENT MARKET CONDITIONS

10.1 The Board noted the latest discussions on the implications for accounting of current market conditions and, in particular, the IASB press notice on its responses to the accounting issues raised by the credit crisis, and the draft report of the IASB Expert Advisory Panel on 'Measuring and disclosing the fair value of financial instruments in markets that are no longer active'.

## 11 NEXT MEETING

Thursday 16 October, 9.00 a.m.