



**Minutes of a meeting of the Accounting Standards Board (2010:04)  
held on 18 March 2010 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

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

IN ATTENDANCE

Mike Ashley	TEG Observer
Andrew Lennard	ASB Research Director
Phil Woodward	HM Treasury
David Tyrrall	BIS
Andrew Vials	KPMG (Item 7 only)
Peter Saunders	Deloitte (Item 7 only)
Peter Godsall	Secretary
Simon Peerless	Minutes Secretary

Technical Staff: Jennifer Guest, Seema Jamil-O'Neill and Michelle Sansom.

- 1 MINUTES AND NOTE OF MEETING
  - 1.1 The minutes of the meeting held on 25 February 2010 (2010:0) were agreed and approved for publication.
- 2 UPDATE AND REPORTS
  - 2.1 The Board received an update on recent developments relating to the global financial crisis, other IASB and international developments, EFRAG and other European developments, and FRC and ASB developments.
  - 2.2 The Board noted:

- a. references to accounting standards in a paper issued by the European Parliament Director-General for Internal Policies for the Special Committee on the Financial, Economic and Social Crisis (CRIS) entitled 'To What Extent Did Financial Regulation and Supervision Fail in Preventing the Crisis?';
- b. the recent meeting of CRIS on 25 February;
- c. references to accounting standards in a paper issued by the Centre for European Policy Studies entitled 'Restoring Investor Confidence in European Capital Markets';
- d. a Bank of England paper issued on 10 March entitled 'Fair Value in Foul Weather';
- e. the prepared statement of Sir David Tweedie for his appearance before ECOFIN on 16 March, including his proposal for a Regulatory Income Statement;
- f. the IASB's current workplan, indicating a large number of exposure drafts that were expected to be issued by the end of the year;
- g. the issue by the IASB of an exposure draft of the chapter of the conceptual framework relating to the reporting entity;
- h. the agenda for the IASB's meeting the following week;
- i. the meeting of ARC on 4 March, which recommended adoption of several IASB and IFRIC items;
- j. the meeting between the IASB, EFRAG and European national standard setters on 17 March;
- k. the meeting of EFRAG TEG the following week;
- l. the issues raised in the Better Regulation Review of the FRC;
- m. Stephen Haddrill's meetings with the Commission and other European bodies in Brussels on 3 and 4 March;
- n. the views on pensions accounting expressed at the recent investment conference held by the National Association of Pension Funds (NAPF) and the scheduled NAPF accounting 'summit';
- o. reactions to the report into the failure of Lehman Brothers, including the use of 'Repo 105' transactions;
- p. the extension of the Chairman's term of office to the end of January 2012, and the reappointment of Edward Beale to the Board; and
- q. staff changes at the ASB.

2.3 The Board also noted the Status Report and approved it for publication.

### 3 FUTURE OF UK GAAP

3.1 The Board considered issues raised in the responses to its consultation paper 'Policy Proposal: the Future of UK GAAP'.

3.2 The Board:

- a. agreed that in principle reduced disclosures should be permitted for subsidiaries that elect to use full IFRS;
- b. commissioned detailed proposals from staff for such reduced disclosures, having regard to the disclosure requirements in the IFRS for SMEs, the work being carried out by the Australian Accounting Standards Board and proposals from respondents, and for the categories of subsidiary that would be entitled to use these reduced disclosures; and
- c. agreed that in reviewing the IFRS for SMEs for use by UK entities, it would have in mind the following principles in considering any adaptations that had been requested:
  - i) it would make the minimal changes required;
  - ii) in considering a change, it would look first to EU-adopted IFRS to retain the maximum consistency with this; and
  - iii) it would make use of exemptions in company law to avoid 'gold-plating'.

3.3 The Board also tentatively agreed, as working assumptions that it would consider again before the issue of an exposure draft, that:

- a. the proposals would be effective for accounting periods commencing on or after 1 January 2013;
- b. no major changes would be made to current UK standards in the interim;
- c. early adoption of the new proposals would be permitted; and
- d. a transition period of eighteen months would be allowed between the publication of the proposals in final form and the effective date.

### 4 MEASUREMENT OF LIABILITIES IN IAS 37

4.1 The Board considered the proposals in the IASB's recent exposure draft 'Measurement of Liabilities in IAS 37', together with the IASB's Working Draft of its revised standard 'Liabilities'.

4.2 The Board:

- a. did not support the issue of the proposed standard, which it thought would not result in an improvement to financial reporting;

- b. expressed concern that the proposed standard lacked clarity on the inclusion a probability test in its recognition criteria, and was likely to give rise to practical difficulties in application;
  - c. did not agree with the inclusion of a profit margin in all cases in the measurement of a liability; and
  - d. expressed concern at the due process followed, given the views of constituents and the divided opinions of IASB members.
- 4.3 The Board approved responses to the IASB and EFRAG setting out these views.

## 5 IASB PROJECTS ON FINANICAL INSTRUMENTS

5.1 The Board received an update on the IASB's current projects on the classification and measurement of financial instruments, impairment, derecognition and hedge accounting.

5.2 The Board:

- a. noted the recent decisions made by the IASB;
- b. noted the discussions of the IASB's Expert Advisory Panel on impairment;
- c. noted the discussions held by ASB staff with UK banks and other constituents, and the theoretical and practical issues raised;
- d. agreed to defer consideration of a response to EFRAG on its draft comment letter on impairment until further discussions had been held.

5.3 The Board also:

- a. expressed concern over the derecognition model that was currently being developed by the IASB, particularly in the light of the recent report into the collapse of Lehman Brothers and the G20 concerns with the extent of off-balance-sheet transactions;
- b. agreed that the current IAS 39 model, with minor amendments, was likely to prove a better basis for derecognition than the model currently being developed by the IASB; and
- c. agreed to send a letter to the IASB expressing these views, to be approved by e-mail.

## 6 EC CONSULTATION ON THE CAPITAL REQUIREMENTS DIRECTIVE

6.1 The Board considered accounting aspects of a European Staff Working Document 'Possible Further Changes to the Capital Requirements Directive'.

6.2 The Board:

- a. noted references to proposals to deduct charges for 'through-the-cycle' provisioning in the calculation of operating profit in banks' profit and loss accounts;
- b. agreed a response to the Commission setting out its view that the best way for prudential regulators to address pro-cyclicality was through prudential filters rather than by seeking to impose financial reporting requirements and so usurp the responsibility of the IASB.

## 7 CCAB SORP ON LIMITED LIABILITY PARTNERSHIPS

- 7.1 The Board considered a revised Statement of Recommended Practice (SORP) on Limited Liability Partnerships prepared by the CCAB SORP Steering Group.
- 7.2 The Board agreed to the issue of the SORP by the CCAB, and approved its statement of negative assurance for inclusion in the SORP.

## 8 IASB PROJECT TO AMEND IAS 19 'EMPLOYEE BENEFITS'

- 8.1 The Board received an update on the IASB's project to amend IAS 19 'Employee Benefits' and the expected contents of the forthcoming exposure draft on defined benefit plans.

## 9 NATIONAL STANDARD SETTERS MEETING IN APRIL 2010

- 9.1 The Board noted the agenda for the National Standard Setters meeting to be held on 14 and 15 April.

## 10 REPORTS OF THE FEBRUARY AND MARCH MEETINGS OF THE IASB

- 10.1 The Board noted the reports of:
  - a. the 2 and 10 February joint meetings of the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB);
  - b. the IASB's main meeting held on 15-19 February, some of which was joint with the FASB; and
  - c. the joint IASB-FASB meeting held on 3 March.

## 11 NEXT MEETING

Thursday 2 April, 9.00 a.m.