

ACCOUNTING STANDARDS BOARD



Minutes of a meeting of the Accounting Standards Board (2006:12) held on 23 November 2006 at Aldwych House, 71-91 Aldwych, London, WC2

PRESENT

Ian Mackintosh	Chairman
David Loweth	Secretary and Acting Technical Director
Mike Ashley	
Peter Elwin	
Roger Marshall	
Robert Overend	
Helen Weir	
Peter Westlake	
Geoffrey Whittington	

IN ATTENDANCE

Andrew Hind	Charity Commission (for Item 1 only)
Raymond Jones	Charity Commission “
Andrew Lennard	Director of Research
Michael Kavanagh	IAASA Observer
David Tyrrall	DTI
David Watkins	HM Treasury
Chris Jackson	Minutes Secretary

Technical Staff: Michelle Crisp, Hans Nailor, Alan O'Connor.

APOLOGIES FOR ABSENCE were received from Marisa Cassoni.

1 EXPOSURE DRAFT OF A STANDARD ON HERITAGE ASSETS

1.1 The Board heard representations from Mr Hinds and Mr Jones in support of concerns expressed in a letter from the charity sector Statement of Recommended Practice (SORP) Committee about the Board's proposal that the valuation of heritage sets should be on a collection by collection basis. It noted those concerns centred around fears that:

- the resulting information would be incomplete and therefore potentially misleading;
- nor would it facilitate user interest in information about stewardship of heritage assets;
- the approach overall would lead to differences in application;

- the proposed definition of a collection was capable of manipulation to avoid valuation.

1.2 The Board emphasised to Mr Hinds and Mr Jones that its underlying clear and strong preference was for heritage assets to be valued to the greatest practicable extent.

1.3 In discussion following that with Mr Hinds and Mr Jones, the Board fully analysed the concerns that had been raised. After careful consideration, the Board concluded that valuation on a collection by collection basis still offered potentially the most effective approach to meet its underlying objective. In doing so it also took account of the implications of such an approach for auditors.

1.4 The Board agreed that the proposed Exposure Draft (ED) as presented to at the meeting should be published subject to some minor presentational and drafting changes. It recognised however that the ED would be controversial and the Board would need to look very carefully indeed at the responses. Due process required the consultation should not be rushed and in terms of an application date it was probably sensible to think in terms of the standard coming into effect for reporting at March 2009 year ends.

2 MINUTES OF MEETING

Subject to a number of minor drafting changes, the minutes of the meeting held on 9 November (2006:11) were approved for publication.

3 CHAIRMAN'S UPDATE AND REPORTS

3.1 The Board received updates on the publication by the International Financial Reporting Interpretations Committee (IFRIC) of an Interpretation in relation to service concession arrangements, a request from the International Accounting Standards Board (IASB) for information to help it decide whether to make the subject of common control transactions an agenda item, the World Congress of Accountants, FRC's Strategic Framework and the planned Exposure Draft (ED) on interim reports.

3.2 The Board also considered a letter from Isobel Sharp - Chairman of its Committee on Accounting for Smaller Entities (CASE) - expressing concern that the Board still wished the next version of the FRSSE to require application of the key principles of FRS 20 despite the advice of CASE and others to the contrary on the treatment of equity-settled share-based payment arrangements. It agreed Isobel Sharp and a member of CASE should be invited to discuss those concerns directly with the Board.

4 PROPOSED REPORTING STATEMENT ON PENSION DISCLOSURES

4.1 The Board considered a paper on the six underlying principles to support and inform the proposed Reporting Statement on pension disclosures. It agreed the continuing relevance of all six but took into account comments arising from consultation on them, including a number from Actuarial Bodies.

4.2 The Board agreed a number of resulting drafting changes to the principles in areas such as information about trustee powers, disclosure of mortality rates, sensitivity analysis of key assumptions, disclosure of the buy out amount and information about funding of deficits. It noted there would be a further opportunity to discuss the subject at a subsequent meeting on the basis of a full version of the proposed Reporting Statement reflecting those changes.

5 APPOINTMENTS TO THE URGENT ISSUES TASK FORCE (UITF)

The Board agreed Una Curtis and Chris Nunn should be re-appointed to the UITF and Kathryn Cearns should be offered appointment as a new member for a two year term running to 31 December 2008.

6 EFRAG UPDATES

The Board noted the update report of the November meeting of the European Financial Reporting Advisory Group (EFRAG) Technical Experts Group (TEG).

7 PROGRESS REPORT ON THE PROJECT ON ACCOUNTING FOR PENSIONS

7.1 The Board received an update on the pensions project and considered a discussion summary on measurement which took into account discussion on that subject so far in the Pensions advisory panel and the EFRAG group as well as the Board's own previous comments.

7.2 The Board recognised that some of the most difficult issues were around different views on key issues relating to liabilities such as:

- the role of fair value in valuing liabilities;
- what important terms such as "current settlement amount" actually meant;
- the extent to which future salary increases should be reflected in the pensions liability;
- the extent to which a buy out value could be measured in the absence of a sufficiently liquid market for pension liabilities;
- whether or not credit risk should be factored into valuation of liabilities.

8 PREPARATION FOR 8 DECEMBER IASB ROUNDTABLE ON AMENDMENTS TO IAS 37

8.1 The Board considered IASB's paper on a proposed revision of International Accounting Standard (IAS) 37 'Provisions, Contingent Liabilities and Contingent Assets' which would be the basis of the 8 December roundtable discussion. It was not persuaded by the underlying approach advocated by the IASB for decisions about the existence of, and provision for, liabilities. In particular that approach did not seem to offer helpful guidance on the most difficult elements of reaching such decisions which, more often than not, are far less clear cut than the illustrative examples in the paper. The Board believed assessment of probability was an important feature in decisions of this kind and the IASB proposals needed to acknowledge that more explicitly. The proposals at present seemed likely to generate additional effort by preparers which would not be matched by the utility or reliability of the resulting information.

8.2 The Board noted that question 5 in the IASB's paper raised the question of what was meant by "current settlement amount". It was anxious that this term should be clearly understood to include the possibility that one rational option in this respect may be for an entity to meet the liability itself rather than seek to dispose of it in some other way.

9 CHAIRMAN'S REPORT TO THE FINANCIAL REPORTING COUNCIL

The Board noted the Chairman's latest proposed report to the Council and that it would be suitably updated to take account of the current meeting.

10 PROGRESS REPORT ON IASB/FASB JOINT CONCEPTUAL FRAMEWORK PROJECT

The Board noted a progress report and agreed to return to the subject more substantively at a future meeting.

11 NEXT MEETING

9.00am on Thursday 7 December.