

URGENT ISSUES TASK FORCE

Summary Minutes of the 99th meeting of the Urgent Issues Task Force (UITF:99) held on 16 September 2009 at Aldwych House, 71-91 Aldwych, London WC2

PRESENT:

Ian Mackintosh	Chairman
Tim Bush	
Kathryn Cearns	
Peter Chidgey	(for Items 3&4)
Matthew Curtis	
Una Curtis	(for Items 3&4)
Howard Evans	
Bill Hicks	
Peter Holgate	
Geoffrey Mitchell	
Veronica Poole	
Brian Shearer	
Lynn Percy	(alternate to Andrew Vials)
Andrew Jones	(alternate to Marian MacBryde)
Terry O'Rourke	(alternate to John McDonnell)

IN ATTENDANCE:

Andrew Lennard	ASB Director of Research
Peter Godsall	ASB Project Director (for Item 4)
Michelle Sansom	ASB Project Director
David Tyrrall	BERR
Roger Nicklen	Minutes Secretary

1 MINUTES

1.1 UITF members noted the Summary Minutes of the meeting held on 18 March 2009, which had already been approved for publication.

2 BASIS OF PREPARATION FOR CESSATION ACCOUNTS OF BUILDING SOCIETIES

2.1 UITF members noted the minutes of a meeting held on 5 April 2009 (concluding that the basis of preparation for cessation accounts of building societies did not raise any issues that the UITF should take on to its agenda) which had already been circulated to members for comment.

- 3 IFRIC D25 'EXTINGUISHING FINANCIAL LIABILITIES WITH EQUITY'
- 3.1 The UITF considered IFRIC Draft Interpretation D25 'Extinguishing Financial Liabilities with Equity Instruments' together with EFRAG's draft comment letter on D25.
- 3.2 UITF members considered that greater clarity on the scope of the Interpretation was needed in relation to: the differences between debt being converted in predetermined circumstances and in other than a predetermined situation; and transactions with owners in their capacity as owners.
- 3.3 UITF members concurred with IFRIC's view that equity instruments issued to extinguish debt were 'consideration paid', in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' paragraph 41.
- 3.4 UITF members were not able to come to a common view on measurement of the equity instruments issued. Support was expressed for ensuring that the Interpretation was consistent with the Framework and with the de-recognition principles in IAS 39 (including an acknowledgement that in order to be consistent with those derecognition principles there needed to be a two stage process in which the gain or loss on derecognition was considered ahead of any gains or losses on subsequent aspects of the transaction).
- 3.5 The IFRIC proposal to value the equity instruments issued at either the fair value of the equity instruments or the fair value of the liability extinguished, whichever was the more reliable, was not supported, on the grounds that it placed the reliability criteria ahead of relevance and would require judgements about whether equity or liability valuations were more reliable.
- 3.6 UITF members also compared a staff proposal to measure the value of equity instruments issued at the fair value of the equity instruments unless this could not be reliably measured, in which case the equity instrument should be valued at the fair value of the liability extinguished, with EFRAG's proposal that the equity instruments should be measured at the fair value of the liability extinguished unless this could not be reliably measured in which case the equity instruments should be measured at their fair value. In addition UITF members discussed at some length the extent to which determination of the value of the liability would require reference to the consideration paid.
- 3.7 A majority of UITF members favoured the EFRAG approach over the staff proposal with the qualification that the value of the liability may require reference to the fair value of the equity instruments issued.

- 3.8 UITF members agreed with IFRIC's conclusion that an entity should recognise in profit or loss any gain or loss on the extinguishment of the financial liability.
- 3.9 The UITF commissioned preparation of responses to IFRIC and EFRAG that reflected their views to be circulated for agreement outside the meeting.
- 3.10 UITF members also considered whether an Abstract reflecting the Interpretation that would result from D25 should be issued in the UK. The UITF noted that as an interpretation of IAS 39 the IFRIC Interpretation would also be an interpretation of FRS 26 which was converged with IAS 39. The UITF agreed to give further consideration to the publication of an Abstract once IFRIC had reached its final conclusions.

4 THE FUTURE OF UK GAAP

- 4.1 UITF members gave preliminary consideration to the ASB's Policy Proposal on the Future of UK GAAP and generally welcomed the publication of the Policy Proposal.
- 4.2 Issues raised in discussion included:
- a) The need to ensure during the development of an Exposure Draft, following consultation, that the proposals for UK GAAP were consistent with EC Directives and Company Law.
 - b) Timing issues for the introduction of new UK GAAP, both in relation to any new standard for public benefit entities and to the introduction of XBRL by HMRC.
 - c) The arguments to be made for and against disclosure exemptions for non-publicly accountable subsidiaries (including the view that subsidiary accounts may be more useful than many preparers supposed) which interested parties should be encouraged to include in their response to the consultation.
 - d) The choice of definition of public accountability, its use as the criterion for determining which tier of UK GAAP entities should fall under and the possible need for the ASB to provide guidance on the application of the definition of public accountability as it applied to the UK and Ireland.
 - e) Although the ASB's proposal was to adopt the IFRS for SMEs unamended the ASB would still retain the right to reverse the decision or to amend the standard (a right that could only be taken away by a change in FRC policy or by a government decision).

5 NEXT MEETING

Wednesday 18 November, 9.30 a.m.