

In the October 2004 issue

- EU Adoption of IAS 39
- New UK standards on the way
- New Board appointments

EU Adoption of IAS 39

The ASB has spelt out the implications for UK financial reporting of the modified version of International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement' proposed by the European Commission.

On 1 October 2004 the EU voted to adopt as an EU-adopted international accounting standard a version of IAS 39 that has been amended by the European Commission ('amended IAS 39') rather than IAS 39 as published by the IASB (the 'unamended IAS 39'). This decision raises important issues both for the Board and for companies in the UK.

ASB conclusion

The ASB strongly supports the view that all UK companies should comply as far as possible with the full hedging provisions of the standard and not the amended version, and we will be issuing guidance on this and the amended fair value option as soon as possible.

ASB action for companies following EU-adopted international accounting standards

Hedge accounting

The implications of the EU's decision for entities reporting under EU-adopted

international accounting standards are not straightforward. The Board has considered how it believes UK entities applying EU-adopted international accounting standards should proceed, and has concluded that it should strongly recommend compliance with the hedge accounting requirements in full.

In this regard the following points are relevant.

- The European Commission has stated that Member States are permitted to require companies reporting under the IAS Regulation to comply in full with the hedge accounting requirements of IAS 39. If this power to mandate full compliance lay with the Board, it would do so immediately. However, the Board understands that, as a consequence of the IAS Regulation, the Board may not currently have this power. The Board intends to explore all possible means of mandating compliance with the hedging requirements as soon as possible.

- The EU's proposed interpretation of IFRS 1 'First-time Adoption of International Financial Reporting Standards' is that compliance with the EU-adopted version of IAS 39 should be interpreted as first-time adoption within the meaning of IFRS 1. There remains considerable uncertainty about how that will work in practice. The Board suspects that applying that interpretation might raise issues for some enforcement agencies and might also create difficulties for the companies involved when the EU-adopted version of IAS 39 is eventually brought into line with the IASB's version. Compliance in full with the deleted hedge accounting requirements from 2005 will avoid these problems.

The fair value option

Many UK entities that will be reporting under EU-adopted standards had intended to use the fair value option more widely than now permitted under the amended IAS 39 - for example to

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eliminate the artificial volatility that would otherwise arise from accounting for linked transactions on differing bases, or to simplify the application of the standard by using fair value in place of detailed hedge accounting requirements. There is, as a result, much interest in understanding precisely the effect of the EU's decision.

Guidance to be issued

The Board does not support the EU's approach, but understands the urgent need to address the concerns of UK companies to know the implications of the amended fair value option for their 2005 reporting - accounting systems need to be operating in compliance with the standard from 1 January 2005. The Board intends to issue guidance as soon as possible on these issues. This will set out its views on the interaction between the amended IAS 39, other adopted international standards and the legal requirements.

ASB action for companies following UK standards

To date the Board has been following a convergence process that will ultimately mandate compliance with unamended IAS 39 by all companies that are continuing to follow UK standards. Notwithstanding the EU's decision, the Board has decided to continue with that strategy. As a first step, a UK standard implementing in full the measurement and hedge accounting requirements of the unamended IAS 39 for some entities will be issued shortly (see pages 4 and 5).

Further proposals on extending the scope of that standard to other entities and on implementing the recognition and derecognition parts of the standard will be issued next year.

News from EFRAG

Recently the new team at EFRAG faced a heavy agenda as formal advice was developed for the EU Commission on the final batch of IASB's 'stable platform' standards and initial, and then final, comments were drafted for IASB on its continuing flow of exposure drafts.

The most important and time consuming of the topics on which EFRAG was called upon to give its formal advice on adoption of the IASB standard was financial instruments. In December 2003 the IASB had published IAS 39 Financial Instruments: Recognition and Measurement, followed in March 2004 by an amendment dealing with fair value hedge accounting for a portfolio hedge of interest rate risk. The standard was strongly resisted by much of the European banking industry, despite the significant efforts made over the previous year by IASB to develop a less burdensome hedge accounting regime.

The voting on this standard in June by EFRAG's Technical Experts Group reflected the division of opinion in the EU. Support for adoption was insufficient to enable EFRAG to recommend adoption.

In these circumstances, EFRAG's letter recommended neither adoption nor rejection but, instead, set out the arguments on either side. One member set out a detailed exposition of how, in her view, the standard should be modified in the short term.

The Commission took soundings in July from the Accounting Regulatory Committee (ARC), the body comprising officials from member states that has the chief responsibility for determining the outcome of the adoption or rejection decision, from which it was clear that there was insufficient support for adoption. It therefore prepared an amended version, deleting certain words and sentences so as to enable companies to adopt the hedge accounting that some of them, particularly financial services companies, desired.

In mid September the Commission asked EFRAG to review the amended version to identify whether it contained technical flaws that would prevent it from achieving its intended effect. EFRAG immediately placed the draft on its website to seek comments from its constituency and convened a special meeting one week later to consider the comments. Despite the lack of time, 18 comments were received, including a detailed commentary from the ASB. EFRAG wrote to the Commission setting out its concerns on the technical flaws and also went on to express concerns over the potentially far-reaching side effects and the lack of due process with which the amended version had been developed. The letter, as well as comment letters received, can be viewed on the EFRAG website (www.efrag.org). The final outcome on the adoption of IAS 39 is reported on page 1.

EFRAG has also over the past few months launched a number of proactive projects, addressing topics known to be on the IASB's agenda but not yet set out in detailed proposals. These projects are Revenue Recognition, Measurement and Concessions. ASB is playing an active role in each of these projects. EFRAG has also participated actively in a joint group with FEE and other parties to study the IASB preliminary views on accounting by SMEs.

In September there took place the first meeting of an EFRAG Advisory Forum, a new body to enable certain important topics to be considered at a general rather than purely technical level by senior individuals drawn from all sides of the financial reporting constituency. The subject for the first meeting was Reporting Financial Performance. Some 70 participants attended, led by a panel of twelve with a balanced representation of preparers, users and auditors of financial statements. The main paper was prepared and presented by Allan Cook, EFRAG member and former Technical Director of the ASB. As expected, the discussion ranged widely. Reactions by participants are currently being assessed with a view to planning meetings on other topics of general interest.

Update on Current Projects

Life Assurance update

Inside Track 40 reported that the ASB issued FRED 34 'Life Assurance' on 21 July, setting out proposals intended to result in substantial improvements in the clarity and transparency of the financial statements of entities with life assurance business, for the benefit of both policyholders and shareholders. The comment period for FRED 34 closed on 8 October. The Board has received some 33 responses and the comments are currently being analysed.

As well as taking forward work on FRED 34, the Board is continuing to develop its views on the direction in which insurance accounting more generally should develop over the next few years and on the key issues that will need to be addressed in securing the changes necessary. The Board's intention is to progress this work by the end of 2004.

In the meantime, the IASB is taking a fresh look at financial reporting by insurers and has recently announced the membership of a working group formed to help it in its work.

Convergence

In March 2004 the Board issued a Discussion Paper 'UK Accounting Standards: A Strategy for Convergence with IFRS'. Comments were invited by 30 June and subsequently the Board has been discussing the feedback received.

Overall respondents supported a strategy that will lead to convergence between UK accounting standards and IFRS. The Board continues to share the view that there can be no case for the use in the UK of two sets of wholly different accounting standards in the medium term, and will pursue convergence between UK accounting standards and IFRS. Indeed the Board has already issued two converged standards (FRS 20 'Share-based Payment' and FRS 21 'Events After the Balance Sheet Date') with five more standards to be issued shortly, as reported elsewhere in this edition of *Inside Track*.

However, a number of respondents queried the pace of convergence that the Board proposed, suggesting that it might be possible to achieve convergence more quickly. The Board has considered these comments and will be revisiting its convergence programme to see what opportunities there are to adopt a more rapid timetable than envisaged in the Discussion Paper.

However, more fundamentally the Board has been discussing its own activities and the objectives and values that underlie them, building on the comments made in the Discussion Paper. As a result the Board is preparing a Policy Statement outlining its role, activities and technical plan.

Operating and Financial Review (OFR)

As reported in *Inside Track* 40, the Board is working towards the issue of an exposure draft of the first reporting standard on the OFR by the end of 2004, to be finalised in 2005. The DTI's consultation on its 'Draft Regulations on the Operating and Financial Review and Directors' Report' closed on 6 August, since when the department has been considering the responses and what changes, if any, should be made to the draft Regulations. The DTI plans to lay the proposed final Regulations before Parliament next month.

The Board is also participating in the work of a group of national standard-setters, led by New Zealand, with Canada and Germany also involved, on a project on 'management commentary'. The group is working to develop a discussion document, which the IASB intends to publish with its preliminary views for public comment.

Leases

As reported on page 7, ASB staff presented a paper at the IASB's meeting with world standard setters in September, providing an overview of the issues discussed to date with the IASB in the research project on leases. The meeting considered a number of issues during break-out sessions. Most

participants supported development of a conceptual approach, which would provide a basis for recognising assets and liabilities that are representative of the contractual rights and obligations of lessees and lessors. Participants also discussed case studies addressing the accounting treatment of renewal options and contingent rentals under the contractual rights and obligations approach.

IASB: Post employment benefits

The IASB has agreed to proceed with the main proposal of its exposure draft 'Amendments to IAS 19: Actuarial Gains and Losses, Group Plans and Disclosures'. This will enable the recognition of actuarial gains and losses in full in the period in which they occur outside of profit or loss in a statement of recognised income and expense. The significance of this for UK companies who are making the transition to IFRS is that they will be able to adopt a form of accounting similar to that required by FRS 17 'Retirement Benefits'. They will thus be able to ensure their financial statements provide full transparency for their pension obligations and their accounting for the assets and liabilities relating to them.

New UK standards

Next month, the Board will be issuing five new Financial Reporting Standards (FRS) as part of its strategy for convergence with International Financial Reporting Standards (IFRS) (see page 3). The scope of each standard is set out below, although entities applying the 'Financial Reporting Standard for Smaller Entities' (FRSSE) are exempt from all five.

Earnings per Share (EPS)

FRS 22 (IAS 33) 'Earnings per Share' will reflect the proposals in Financial Reporting Exposure Draft (FRED) 26 and will supersede the existing UK accounting requirements set out in FRS 14.

The FRS will be mandatory for accounting periods beginning on or after 1 January 2005 for all entities whose ordinary shares or potential ordinary shares are publicly traded, and by entities that are in the process of issuing ordinary shares or potential ordinary shares in public markets.

FRS 22 has the effect of implementing IAS 33 (revised 2003) in the UK and Republic of Ireland. The main change from FRS 14 is that basic and diluted EPS be disclosed on the face of the profit and loss account both for net profit or loss for the period and for profit or loss from continuing operations. Basic and diluted EPS for discontinued operations (if reported) may be shown either on the face of the statement or in a note. Any additional per share amounts must be disclosed in a note. Under FRS 14, basic and diluted EPS for net profit or loss are required on the face of the profit and loss account.

Foreign currency standards

FRS 23 'The Effects of Changes in Foreign Exchange Rates' and FRS 24 'Financial Reporting in Hyper-inflationary Economies' will reflect the proposals in FRED 24 and will supersede existing UK accounting requirements set out in SSAP 20 'Foreign Currency Translation' and the related UITF Abstract 9 'Accounting for Operations in Hyper-inflationary Economies'.

FRS 23 and FRS 24 have the effect of implementing IAS 21 and IAS 29 in the UK and the Republic of Ireland. They will apply only to entities that prepare their financial statements in accordance with FRS 26 'Financial Instruments: Measurement' (see below) and become effective only when an entity first applies FRS 26. This means that listed entities will apply the standards for accounting periods beginning on or after 1 January 2005; for other entities within the scope of FRS 26 the standards take effect from the date that their accounting policies cause them to apply FRS 26.

FRS 23 introduces the terms 'functional' and 'presentation' currencies. An entity measures items using the functional currency (that of its primary economic environment) but presents financial statements in any currency. Other changes from current UK accounting requirements include the removal of the option to measure profit and loss at closing rate; actual (average) exchange rates should be used. Goodwill should be translated at closing rate.

IAS 21 requires exchange differences on a monetary item that is part of a net investment in a foreign operation to

be recognised initially in the Statement of Total Recognised Gains and Losses (STRGL), then recycled to the profit and loss account on disposal of the foreign operation. Existing UK standards do not permit any gains and losses to be recycled. In FRED 24, the Board had proposed to retain the prohibition on recycling. However, while the Board continues to believe that, conceptually, recycling has no place in financial reporting, in the interests of convergence, FRS 23 implements the requirement in IAS 21 that certain gains and losses should be recycled.

The main change in FRS 24 from UITF Abstract 9 is that the UITF Abstract allows a choice of methods for eliminating the distortions that arise in hyper-inflationary economies: either the financial statements should be restated to reflect the impact of price changes or the entity should adopt a stable currency as its functional currency. If neither of those methods is considered appropriate, other methods can be used. FRS 24 requires adoption of the price changes approach.

Financial Instruments standards

FRS 25 (IAS 32) 'Financial Instruments: Disclosure and Presentation' and FRS 26 (IAS 39) 'Financial Instruments: Measurement' will reflect the proposals set out in FRED 30 and its three Supplements. The standards have the effect of implementing the requirements of IAS 32 and the measurement provisions of IAS 39. The provisions of IAS 39 relating to derecognition of financial instruments have not been implemented in FRS 26, but as noted on page 1, the Board will be bringing forward proposals to introduce these provisions.

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Smaller Entities

The IASB's consultation on its preliminary views on accounting standards for Small and Medium-sized Entities (SMEs) recently closed. The Board supports the concept of the development of global standards for SMEs and hopes that the IASB project will provide a suitable replacement for the FRSSSE in due course. The IASB is considering the development of standards that are a modified version of each individual IFRS with mandatory fall back to the full IFRS if the SME version does not deal with an accounting issue. And a SME may choose to revert to a treatment in the full IFRS where it differs from that in the corresponding SME standard. Rather than apply a size test for eligibility, the IASB suggests the standards will be available for use by entities which do not have 'public accountability'.

In its response the Board welcomed the IASB's initiative and presumption there should be financial reporting standards for SMEs, citing the positive experience of the FRSSSE as a precedent in establishing a credible, simplified financial reporting regime for smaller entities.

The Board urged the IASB to develop SME standards that are as concise as possible—the guiding aim should be to achieve a significant reduction in the burden of application of IFRS for entities within the scope of the project—and to focus on smaller entities when developing detailed proposals. At the time of going to print the IASB was due to consider the responses to its consultation at its October 2004 meeting. Subject to this, the IASB plans to issue an exposure draft in 2005.

Meanwhile, the Board recently considered the results of its consultation on the 'one-stop shop' FRSSSE. It agreed that CASE should develop an exposure draft for the FRSSSE incorporating the company law requirements and reflecting recent accounting standards. It is hoped to publish the exposure draft by the end of 2004.

The presentation requirements of FRS 25 will apply to all entities for accounting periods beginning on or after 1 January 2005. As a result preference shares that are obligations will be classified as liabilities rather than shareholders' funds, which corresponds with the amendments to the Companies Act 1985 resulting from the EU Accounts Modernisation Directive that also require the classification of items on the balance sheet to have regard to their substance.

The disclosure requirements of FRS 25 will apply for accounting periods beginning on or after 1 January 2005 for those entities applying FRS 26 requirements on measurement and hedging, and from 2007 for all other entities. Wholly-owned subsidiaries that are not themselves banks or insurance companies will be exempted, as will the single-entity accounts of parent companies. The existing UK standard on financial instrument disclosures, FRS 13, applies only to listed entities and to banks and similar institutions. Most of these entities will be required to adopt the measurement rules of FRS 26 and accordingly fall within the scope of FRS 25's disclosure requirements. For such entities, FRS 13 is withdrawn. However, FRS 13 remains in force for any banking or similar institution that does not fall within the scope of FRS 26 and does not voluntarily adopt that standard.

FRS 25 also has the effect of withdrawing FRS 4 'Capital Instruments', except for material on the measurement of debt and gains and losses on the repurchase of debt. This material is withdrawn for entities applying the measurement requirements in FRS 26, but remains applicable for other entities. FRS 25

will also supersede three UITF Abstracts: 11 'Capital instruments: issuer call options'; 33 'Obligations in capital instruments'; and 37 'Purchases and sales of own shares'. FRS 25 also replaces the offset rules in FRS 5 'Reporting the Substance of Transactions'.

FRS 26 implements the measurement and hedging requirements of IAS 39 in their full version rather than the EU-amended IAS 39. However, entities applying FRS 26 will still be subject to the provisions of the Companies Act, which restricts the use of fair value measurement for liabilities. These entities will not, as a result, be able to take full advantage of the fair value option in FRS 26. The ASB will include in FRS 26 guidance on the extent to which liabilities may be accounted for at fair value and whether in some circumstances a true and fair override may be appropriate.

FRS 26 will apply to 2005 year-ends for all listed entities still following UK standards, and from 2006 for certain unlisted entities whose financial statements are prepared in accordance with the fair value accounting rules set out in the Companies Act.

Consolidations

The ASB also expects to publish, before the end of the year, amendments to FRS 2 'Accounting for Subsidiary Undertakings', reflecting changes in UK company law stemming from the Modernisation Directive, as foreshadowed in its 2004 exposure draft.

UITF and IFRIC *Update*

Revenue recognition for professional services

The UITF has considered requests for guidance concerning revenue recognition in respect of contracts for professional services, including the relationship between FRS 5 Application Note G 'Revenue Recognition' and SSAP 9 'Stocks and long-term contracts'. Among the issues are: when should a contract to provide services be accounted for as a long-term contract? how should revenue and profit be recognised on contracts that are not long-term contracts?

The UITF discussed a draft Abstract at its meeting in October. The UITF requested that a further draft be prepared which, if necessary, will be considered at its next meeting in November.

Co-operative entities

The UITF has responded to IFRIC D8 'Members' Shares in Co-operative Entities', which deals with the classification as liabilities or equity of financial instruments issued by co-operative and other entities that give the holder the right to request redemption.

The UITF supported IFRIC's proposals, but noted that it draws attention to some of the difficult issues that arise in the context of the current distinction between debt and equity. For example, it is not entirely clear that the distinction between an unconditional prohibition on redemption and a prohibition based on liquidity criteria can be unambiguously applied in all cases.

An accounting standard implementing IAS 32 will shortly be issued by the ASB. The intention is that the finally agreed IFRIC interpretation will be implemented as a UITF Abstract.

Retirement benefits

The UITF has responded to IFRIC D9 'Employee Benefit Plans with a Promised Return on Contributions or Notional Contributions'. The response drew attention to the need for a final

interpretation to address the proposed amendment to IAS 19 described on page 3. The UITF issued a proposed version of IFRIC D9 (in Information Sheet 67) which was adapted to reflect the requirements in FRS 17 equivalent to those proposed in the IAS 19 amendment.

Emission rights

In May 2003 the UITF issued a draft Abstract on accounting for emission rights (Information Sheet 61), based on IFRIC's draft Interpretation D1 'Emission Rights'. The UITF had reservations about the proposed accounting model (particularly the effect of differences in accounting for emissions allowances, government grants and liabilities to deliver allowances), and these were shared by many respondents. IFRIC had expected to issue revised proposals in the light of IASB's intention to amend IAS 38 'Intangible Assets' - to permit allowances traded in an active market to be measured at fair value with changes in value recognised in profit or loss - and IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'.

However, amendments to IAS 20 and IAS 38 are unlikely to be finalised for some time. IFRIC has therefore decided that earlier guidance is necessary, given that the EU Emissions Trading Scheme starts in 2005, and expects to issue an Interpretation based on the consensus in D1 in November. The UITF will consider whether and how to take forward its draft Abstract when the IFRIC Interpretation is finalised.

Waste electrical and electronic equipment

IFRIC is expected shortly to issue a draft Interpretation concerning liabilities arising from market share. The issue arises in relation to the EU Directive on Waste Electrical and Electronic Equipment. The Directive, which is expected to be implemented into UK law later this year, will make producers of electrical and electronic equipment responsible for costs of end-of-life collection, recovery and

environmentally-friendly disposal. The draft will address the issue of when a liability should be recognised if an obligation for the cost of waste management arises from a producer's future participation in the market, ie based on future market share. The UITF is monitoring the forthcoming legislation and will decide whether to issue equivalent proposals and any additional UK-specific guidance.

Determining whether an arrangement contains a lease

In November, IFRIC expects to issue a final Interpretation that provides guidance on identifying leases in arrangements that are not leases in form but in substance convey rights to use assets. Outsourcing and take-or-pay contracts are examples of arrangements that would need to be examined.

There are two important consequences. First, the guidance will ensure that any finance leases contained in such arrangements are identified and reported as such. Secondly, arrangements that are deemed to contain operating leases will be subject to the disclosures about operating lease commitments required by IAS 17. The UITF does not currently intend to issue IFRIC's Interpretation as an addition to UK accounting standards because many of the arrangements would be covered by FRS 5, for which there is no equivalent international standard.

Service concessions

IFRIC has been continuing to consider the appropriate accounting for service concession arrangements. As reported in the last edition of *Inside Track*, this has significant potential implications for the UK, given the scale of Private Finance Initiative (PFI) contracts.

IFRIC is proposing to issue three draft interpretations on *Service Concession Arrangements*:

- *Determining the Accounting Model;*
- *The Financial Asset Model; and*
- *The Intangible Asset Model*

with a concession arrangement being characterised as one where one party (the 'grantor'), usually a public sector body, grants a concession to another party (the 'operator') to develop, finance and operate a property and related services over a period of time.

The draft interpretations are designed to deal with how the operator should account for the rights it receives under the concession when the grantor has the asset of the property.

The IFRIC discussions to date suggest that one of two models could apply:

- the financial asset model, where the operator recognises a receivable or an 'available-for-sale' asset; or
- the intangible asset model, where the operator recognises an intangible asset.

Whether the financial asset recognised is a receivable or an available-for-sale asset depends on whether the operator's income may vary significantly with variations in demand. In accordance with IAS 39 the financial asset will be classified as available-for-sale when the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

In any other case, the intangible asset model should apply. Under this model, the operator provides construction services to the grantor in exchange for an intangible asset - the right to charge users for its services. The model, however, also implies that the operator should recognise revenue and any profit or loss on construction when the exchange is made ie when the construction of the infrastructure is complete.

IFRIC plans to vote on the issue of the draft interpretations at its November meeting, after which they will be exposed for public comment. IFRIC is proposing that the interpretations should come into effect for accounting periods beginning on or after 1 January 2006.

IASB meetings with National Standard-Setters and World Standard-Setters

In September, ASB participated actively in meetings organised by the IASB with 'World Standard Setters' (standard-setters from more than 50 countries from every continent) and 'National Standard Setters' (that is, standard-setters, including the ASB, with whom IASB has formal liaison relationships).

The meeting of World Standard Setters was full of interest. Highlights included a speech by Donald T. Nicolaisen, Chief Accountant of the Securities and Exchange Commission of the United States of America (Mr Nicolaisen's remarks may be obtained from <http://www.sec.gov/news/speech.shtml#staff04>), and a presentation by IASB member James Leisenring on the importance for standard-setting of the discipline imposed by adherence to a conceptual framework. Technical subjects included consolidations and leases. These were conducted through break out sessions which provided all participants with an opportunity to express their views and were very successful. ASB led on the subject of leases, and there appeared to be a high degree of consensus that a new standard should be developed, replacing the operating/finance lease distinction with a single approach to accounting for all leases.

The National Standard Setters meeting provided an opportunity to discuss ways in which co-operation between IASB and National Standard-Setters could be strengthened going forward. Amongst the more significant issues was the means by which, consistently with the 'Norwalk agreement' between the United States FASB and IASB, national standard-setters can play a significant role in the development of future international accounting standards. The meeting also discussed an insightful paper, prepared by the Accounting Standards Committee of the

Canadian Institute of Chartered Accountants on presentation and disclosure in financial statements.

It is to be hoped that these meetings will provide a basis for a fruitful discussion when IASB and the FASB meet in Norwalk, in October.

Public-benefit SORPs *Update*

Statements of Recommended Accounting Practice (SORPs) supplement accounting standards and other legal and regulatory requirements to reflect factors prevailing or transactions undertaken in a specialised industry or sector. SORPs are issued by the sectoral body recognised for the purpose by the ASB. The ASB's policy and code of practice for SORPs is available at www.frc.org.uk/asb/technical/sorps.cfm.

There are four SORPs currently used in the public benefit entity sector.

The National Housing Federation and the Welsh and Scottish Federations of Housing Associations are preparing an update to the existing 2002 SORP used by the social housing sector. The main changes being considered reflect new standards issued since FRS 19 and accounting guidance on revised contractual arrangements for providing housing support. It is expected that an exposure draft will be issued in November 2004 with a three month consultation period.

The CIPFA/LASAAC joint committee is also currently preparing an annual update to its existing 2004 SORP used by local authorities. As well as incorporating new standards, additional guidance is being considered to reflect changes arising from the pensions SORP and recent legislative changes. It is expected that an exposure draft will be issued for consultation in November 2004.

Universities UK, on behalf of the further and higher education sector, is currently considering the extent of an update required to its SORP and expects to go out to consultation in 2005.

The Charity Commission has recently completed its consultation on revisions to the 2000 SORP, and in response to

comments received it is currently preparing a final draft. The main revisions proposed include changes to the SOFA format and revised guidance on cost allocation and grant making. The final draft is expected to be presented to the Board early in 2005. It is proposed that the revised SORP will take effect for periods beginning 1 March 2005.

Appointments

Peter Westlake, UK Head of Research at Deutsche Asset Management, and **Tony Good**, an independent equity research consultant, have become members of the Board as from 1 September. Peter replaces **Huw Jones**, who has stepped down from the Board after 10 years' service.

Pat Barker has ceased to be a member of the Urgent Issues Task Force. In her place, **Una Curtis**, Professional Standards Director with KPMG Dublin, has been appointed to the UITF.

Michelle Crisp has joined the staff as a Project Director from Siemens.

Further Information

For further information on any of these topics please contact David Loweth at Holborn Hall.

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