

In the April 2008 issue

- The future of UK GAAP
- Reducing complexity in financial instruments
- EU changes endorsement process
- Roundtable on dividend rules

The future application of UK GAAP

Project Director Peter Godsall outlines the ASB's progress on future UK reporting requirements and provides an update on the progress of the IASB's project on the IFRS for SMEs.

As previously reported in Inside Track the ASB has been focused on the future direction of UK reporting for UK companies for some time. The project continues to be a very high priority for the ASB.

In April 2007 the ASB issued a consultation paper on the IASB's exposure draft of its IFRS for small and medium sized entities (SMEs). In the consultation paper the ASB expressed the view, which it has since reaffirmed, that the IFRS for SMEs would play a central role in the structure of accounting requirements for UK and Irish entities. However, until the shape of the IASB's final standard is known, the ASB is not in a position to finalise its position.

So what are the IASB's plans for the IFRS for SMEs project? At the March 2008 IASB Board meeting staff presented a summary of the key issues that have been raised in the letters of comment on the exposure draft and a proposed project plan and timetable. The IASB's SME working group also discussed these issues at its April

meeting. By July this year the IASB expects to have considered concerns arising from comment letters and field tests, and to have made decisions on all issues. A revised draft will then be developed - the goal is to have this largely completed by the end of the year and issued early in 2009.

Although the IASB standard has not yet been finalised, the ASB believes it is now appropriate to restart the debate on the role it could play in future UK reporting requirements.

The ASB is currently preparing a Discussion Paper, expected to be issued later this year, to build on its previous consultations since 2004. This will set out in more detail its latest proposals on future UK reporting requirements and a proposed three tier reporting structure – full IFRS for entities which are deemed to have public accountability (the ASB is still considering which entities would come within this tier), IFRS for SMEs for the middle tier and the Board's Financial Reporting Standard for Smaller Entities (FRSSE) for the smallest tier. The costs

and benefits of this approach will be discussed and further comment invited.

Of course, there are many complex issues that need to be addressed, not least the cut off points between the tiers and the relationship with EU accounting directives. The ASB will reach final conclusions on these important decisions after collating the views of constituents arising from the Discussion Paper, and careful consideration of all the different arguments put forward by preparers, users and advisers. It will be holding roundtables to ensure extensive consultations.

The program of convergence will be completed within a reasonable time frame, but only after all stakeholders have been given a chance to express their opinions.

ASB hosts public meeting on dividend rules

On 26 February, the ASB held a public meeting to review the case for amendment to the requirements that prohibit companies from making distributions to their shareholders unless various requirements are met. These requirements are often seen as onerous and ineffective. Whilst some of the UK requirements are purely matters of UK law, it is EU legislation that establishes a rigid link between the annual accounts and the amount that a company is able to pay.

Paolo Santella of the European Commission outlined the Commission's current work on modernising company law. Ken Lever (Chairman of the Financial Reporting Committee of The Hundred Group of Finance Directors) highlighted some of the burdens caused by current requirements. Erich Kandler gave a summary of the recent FEE Discussion Paper which proposed an alternative regime, based on solvency. Andrew Lennard, expressing a personal view, suggested that a solvency-based regime would more directly align the requirements with the policy objective and need not contain onerous requirements.

Amongst contributions from the floor, Georg Lanferman gave an overview of the report that KPMG had carried out for the Commission, and the possibility of changes to UK requirements within the framework of existing EU law was discussed.

A summary of the proceedings and the presentations given by the speakers may be obtained from <http://www.frc.org.uk/asb/about/pub1552.html>.

Reducing complexity for financial instruments

IAS 39 *Financial Instruments: Recognition and Measurement* has probably caused more difficulty in applying its requirements than any other IASB standard, as a result of the complex requirements needed to deal with the whole range of different financial instruments.

The IASB has recently issued a discussion paper, for comment by 19 September, setting out some possible approaches to dealing with this complexity.

The paper starts by setting out some of the problems caused by what it calls the 'patchwork of measurement methods' that are currently used for financial instruments. This patchwork includes the main categories in IAS 39 – fair value through profit and loss, available-for-sale instruments measured at fair value but with unrealised gains and losses recognised in other comprehensive income, and held-to-maturity instruments measured on an amortised cost basis. Further complexity is added by adjustments for impairment, and by hedge accounting, with its detailed hedge criteria.

The paper then notes that many IASB board members believe that the long term solution is to measure all financial instruments at fair value, but first explores possible intermediate approaches to measurement that might reduce the current complexity of IAS 39 whilst remaining consistent with this long-term objective.

Suggested approaches include the elimination of either the held-to-maturity or available-for-sale category, or to require fair value measurement for all instruments for which there was an active market.

A more radical solution would be to require fair value measurement for all financial instruments, with an optional exemption allowing amortised cost measurement that would be limited to instruments with fixed or slightly

variable cash flows (such as loans with variable interest rates).

A third possibility would be to simplify the rules for hedge accounting, or to eliminate hedge accounting entirely.

Each of these approaches has its benefits, but would also give rise to concerns that the resulting accounting was not able to reflect the true nature of the business for many types of entity using financial instruments.

Finally, the paper examines in more detail the pros and cons of the possible long-term solution of moving to a single fair value basis of measurement for all financial instruments. The paper contrasts the so-called artificial volatility that some commentators have criticised as being a consequence of fair value accounting, with what it terms 'artificial stability' where a cost-based measurement basis is used to avoid recognising changes in value that have occurred and have affected the economic position of an entity. It also notes concerns over the meaningfulness of including unrealised fair value gains and losses in earnings, and acknowledges that more work is needed in developing a framework for the presentation of fair value gains and losses in the performance statement.

It is clear there is no simple solution to the complexity of financial instrument accounting. Not only are there difficulties in the long-term goal of full fair value accounting, but also none of the intermediate solutions considered could be said to be a clearly superior approach.

The ASB will continue to be involved in the debate on how accounting for financial instruments should evolve, particularly in the light of recent conditions in the financial markets that have led some to criticise current accounting standards.

IPSASB Update

The International Public Sector Accounting Standards Board (IPSASB) functions as an independent standard setting body under the auspices of the International Federation of Accountants. The IPSASB's goal is to serve the public interest by developing high quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements.

Converging International Accounting Public Sector Accounting Standards (IPSASs) with IFRSs, where appropriate for the public sector, is one of the key strategic objectives of the IPSASBs standards development program. The IPSASB is also taking forward a project to develop a framework for general purpose financial reporting by public sector entities to make explicit the concepts that underpin financial reporting in the public sector.

The IPSASB has recently issued consultation papers on three important public sector specific projects. These are:

- **Service Concession Arrangements (SCAs)**, where a Consultation Paper has been released identifying issues and setting out proposals for the required accounting by grantors (typically public sector entities) of SCAs;
- **Social Benefits**, where Exposure Draft 34 'Social Benefits: Disclosure of Cash Transfers to Individuals and Households' has been released proposing disclosure requirements for amounts to be paid to beneficiaries of social programs, as well as disclosure of information about the programs. A Consultation Paper setting out the IPSASB's strategy for developing approaches to address social benefits accounting issues, such as recognition and measurement, has also been released.
- **Long-Term Fiscal Sustainability** – a project that is being launched because the IPSASB has concluded that financial statements alone may not provide users with enough information to assess the long term

viability of social benefit programs and governmental programs and finances more generally. The IPSASB has released a Project Brief and would welcome comments.

Further information on the above projects, including copies of the consultation papers, is available on the IPSASB's website at <http://www.ifac.org/PublicSector/>. The IPSASB is requesting comments on its Social Benefits consultation papers by 15 July 2008 and on Service Concessions Arrangements by 1 August 2008.

Complexity Project

The Financial Reporting Council (FRC) is commencing a project to review the complexity and relevance of current corporate reporting requirements. This will consider whether these reporting requirements are disproportionate to their intended benefits and whether there are opportunities to improve them. It will address the risk that these requirements, and related influential guidance, are contributing to the increasing complexity of corporate reports without making them more useful or understandable. The project was included in the FRC's Draft Plan & Budget 2008/09 issued for consultation earlier this year, and the responses that have been received to the consultation are generally positive, with several commentators expressing a desire to be involved in the project.

The project is currently in the planning stages, with the ASB providing advice and staff support for the project. Preliminary discussion of the project scope has suggested the project focus on the mandatory, ongoing corporate reporting required by UK listed companies.

IASB's Preliminary Views on Amendments on Employee Benefits

In March the IASB issued its discussion paper (DP) on accounting for post-employment benefits as a step towards improving IFRS in this important area.

The discussion paper proposes short-term improvements the IASB considers are needed to provide users with better information about post-employment benefits. In the long-term the IASB intends to work with the US Financial Accounting Standards Board towards a common standard on post-employment benefits.

The IASB DP addresses a number of topics, including;

- (a) the deferred recognition of some gains and losses arising from defined benefit plans;
- (b) presentation of defined benefit liabilities;
- (c) accounting for benefits that are based on contributions and a promised return;
- (d) accounting for benefit promises with a 'higher of' option.

The IASB's proposals are for short-term improvements, in contrast to those set out in the Discussion Paper 'The Financial Reporting of Pensions', which was published by the ASB on 31 January under the Pro-active Accounting Activities in Europe (PAAinE) initiative. The PAAinE DP is intended to contribute to the IASB long-term review of the financial reporting of pensions. Whilst there are areas that overlap in the IASB and PAAinE discussion papers the ASB believes that the proposals in the PAAinE DP will stimulate debate and provide input to the IASB in its longer-term review. The IASB is seeking comments by 26 September 2008 and responses to the PAAinE DP are requested by 14 July 2008.

European Developments

EU Endorsement of IFRS

Any new or revised IFRS or IFRIC Interpretation has first to be endorsed for use in the EU before it can be applied by EU-listed companies in their consolidated financial statements under a process first set out in Regulation 1606/2002.

The process has now been amended in Regulation 297/2008, with the introduction of the so-called 'regulatory procedure' with scrutiny. The main changes, compared to the current regulatory procedure, consist of (a) a more systematic consultation with both the European Parliament (EP) and the Council of the EU and (b) substantially broadened right of oversight of the EP and the Council.

Both the EP and the Council may oppose proposals provided by the European Commission (EC) on the following grounds: (a) the proposal by the EC exceeds the implementing powers provided, (b) the proposal is not compatible with the aim or the content of the IAS Regulation or (c) the proposal does not respect the principles of subsidiarity or proportionality under the Treaty.

In the case of opposition by either the EP or the Council, the proposal by the EC shall not be adopted. Furthermore, the EP and the Council will have a longer, three month oversight period, starting when all linguistic versions of a draft Regulation endorsing IFRS or Interpretation have been submitted to them. Inevitably, this will lengthen the time taken for any new or amended IFRS to be adopted for use in Europe.

During March, the European Financial Reporting Advisory Group (EFRAG) issued its latest report showing the status of endorsement for application in the EU of each IFRS and IFRIC Interpretation. The report can be downloaded from the EFRAG website at: <http://www.efrag.org/news/detail.asp?id=173>.

Currently, the following IASB pronouncements have yet to be endorsed for use in Europe:

- **Revised IFRS 3** 'Business Combinations' (January 2008)
- **Amendment to IAS 23** 'Borrowing Costs' (March 2007)
- **Amendments to IAS 1** 'Presentation of Financial Statements' (September 2007)
- **Amendments to IAS 27** 'Consolidated and Separate Financial Statements' (January 2008)
- **Amendment to IFRS 2** 'Share-based Payment: Vesting Conditions and Cancellations' (January 2008)
- **Amendments to IAS 32 and IAS 1** 'Puttable Financial Instruments and Obligations Arising on Liquidation' (February 2008)
- **IFRIC 12** 'Service Concession Arrangements' (November 2006)
- **IFRIC 13** 'Customer Loyalty Programmes' (June 2007)
- **IFRIC 14 IAS 19** – 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements, and their Interaction' (July 2007).

As reported in *Inside Track 54*, the endorsement process now includes an assessment of the potential impact of any new IASB pronouncement, which will be submitted to the Accounting Regulatory Committee (ARC) and the European Parliament (EP). During February and March, EFRAG has issued questionnaires seeking views on the potential impacts of five of the above pronouncements, which can be accessed from the EFRAG website at www.efrag.org.

EFRAG liaison meeting with the IASB

Twice a year, representatives of EFRAG and the major European standard-setters, including the ASB, meet with IASB Board members to discuss a number of topical issues on the IASB's agenda. The latest meeting took place on 16 April. As well as a discussion of the accounting issues arising from the current market conditions, the meeting covered an update on activities under the Pro-active Accounting Activities in Europe (PAAinE) initiative, the IASB's

work plan, cross-cutting issues and effects studies.

Equivalence

As reported in *Inside Track 54*, the European Commission is considering the basis on which third-country (ie non EU) GAAPs can be found equivalent to IFRS as adopted by the EU. This affects non-EU issuers that list in EU Member States. In essence, third-country GAAPs may be considered equivalent if investors could make similar assessments of the financial statements drawn up under those GAAPs as those drawn up under IFRS.

In determining whether a third country GAAP is equivalent, the Commission has been advised by the Committee of European Securities Regulators (CESR). Following a consultation, CESR has provided advice on the equivalence of Chinese, Japanese and US GAAP and recommended:

- that the Commission finds US GAAP equivalent to IFRS for use on EU markets;
- that the Commission should consider Japanese GAAP equivalent, unless there is no adequate evidence of the Accounting Standards Board of Japan (ASBJ) making progress under the August 2007 Tokyo Agreement it signed with the IASB to accelerate convergence between Japanese GAAP and IFRS; and
- that the Commission postpones a final decision on Chinese GAAP. CESR notes that the new Chinese standards look substantially similar to IFRS, but there is – as yet – no evidence of their 'concrete' implementation (the first full reporting period under the new standards is for companies with 31 December 2007 year-ends).

CESR's advice can be accessed from the website at: http://www.cesr-eu.org/index.php?page=home_details&id=278.

UITF and IFRIC Update

IFRIC D23 *Distributions of Non-cash assets to Owners* was issued on 17 January. The draft Interpretation provides guidance for when an entity distributes assets other than cash as dividends to its owners acting in their capacity as owners.

The UITF has responded to IFRIC and where generally in support of the IFRIC conclusions that all dividends payable should be addressed by a single standard. The UITF did however spend sometime considering the proposal that the difference between any carrying amount of the assets distributed and carrying amount of the dividend payable should be recognised in profit and loss. After some consideration the majority of UITF members agreed with the IFRIC's proposals.

IFRIC D24 *Customer Contributions* was issued on 17 January. The draft Interpretation provides guidance on the accounting for the receipt of contributions of property, plant and equipment or cash that must be used to provide access to a supply of goods or services to customers.

The UITF has responded to IFRIC and is generally in support of the IFRIC's decision in relation to the recognition and measurement of an asset arising from a customer contribution. The UITF, however, considers the draft Interpretation implies that the credit entry arising from the contribution is deferred income rather than a liability in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. In this regard the UITF notes that it might be helpful for the Interpretation to make specific reference to IAS 18 'Revenue' noting the inter-relationship between the two standards

UITF Agenda decisions:

Contingent Fee Arrangements:

The UITF has again considered the accounting for contingent fee arrangements, having failed to reach a consensus on the issue in 2007, and has referred the issue to the Board for guidance.

Banks' accounting treatment of insolvent debtors:

The UITF has decided not to add to its current agenda an issue regarding banks' accounting treatment of insolvent debtors. The UITF concluded that the impairment requirements in current standards did not differentiate between situations where a debtor had entered into a formal or informal arrangement.

The UITF did, however, note FRC press notice 204 which drew to the attention of audit committees some of the key issues to be considered in preparing reports in the current credit market conditions. The questions highlighted by the FRC include the need to ensure detailed consideration is given to identifying impairments of business or other assets impacted by current events.

Disclosure of off-balance sheet arrangements:

The UITF considered the disclosure requirements arising from the amendments to the Companies Act 2006 which require disclosure of off-balance sheet arrangements that enables the financial position of the company to be assessed where the risks and benefits arising from such arrangements are material at the balance sheet date. This will be considered further once additional guidance from BERR has been issued.

National Standard-Setters (NSS) meeting in March

As part of the ASB's global influencing role, on 27-28 March ASB Chairman Ian Mackintosh chaired a meeting of National Standard-Setters (NSS) in Melbourne. Delegates from 11 countries plus representatives from EFRAG and the IASB attended. The meeting was very successful and considered a wide range of issues, including the conceptual framework and the FRC project on complexity. The NSS also had a discussion on the IASB's work programme, and agreed to highlight a number of key themes to the IASB for its forward agenda.

The group discussed and agreed that its main role should be to assist and influence the IASB, primarily through research. Work is continuing in a number of areas, including intangible assets, accounting by retirement benefit plans and non-consolidated information (where the issue is whether current IFRS provide sufficient information for users to understand the relationship between a parent entity and its subsidiaries). At its next meeting, to be held in September 2008, the group will also be considering whether to start research in a number of other areas, in particular accounting for taxes.

Update on Current

Heritage assets

The ASB considered further its project on heritage assets at its 13 March meeting and agreed that it was difficult to find a better accounting solution than the current FRS 15 based approach with enhanced disclosures. A further exposure draft is being prepared.

Proposed FRSE update

The ASB is proposing to issue an updated version of the Financial Reporting Standard for Smaller Entities (FRSSE) to reflect changes in UK company law arising from the Companies Act 2006. No changes are being made to the requirements in the FRSSE that are based upon Generally Accepted Accounting Practice. There are not that many changes arising from the 2006 Act, but a number of them are significant. These include a 20 per cent increase in the thresholds for qualifying as a smaller company; a requirement to report separately political donations and charitable donations; and an increase in the threshold for reporting these donations to £2,000.

The updated FRSSE will apply for accounting periods beginning on or after 6 April 2008, the date from which the accounting and reporting regime for smaller companies in the 2006 Act becomes effective. Early adoption is not permitted; hence smaller companies should continue to use the FRSSE (effective January 2007) for earlier accounting periods.

The derivation table on the ASB website, which reconciles company law requirements in the UK and Ireland back to source legislation, will also be updated.

Share-based payment

In March 2008 the ASB published an amendment to FRS 20 (IFRS 2) 'Share-based payment' – Vesting conditions and cancellations. The requirements set out in the amendment clarify the intentions of the original definition of vesting conditions and provide guidance on the accounting treatment of cancellations by parties other than

the entity. The ASB consultation process had not identified a fundamental reason for FRS 20 to diverge IFRS 2.

Entities will apply these amendments to all share-based payments within the scope of FRS 20 for annual periods beginning on or after 1 January 2009. Earlier adoption is permitted.

As previously reported in *Inside Track 54* further amendments to IFRS 2 and FRS 20 have been proposed to cover certain transactions where one company in a group received goods or services and another company in the group made a cash payment based on the value of equity shares. The comment deadlines have now passed and the IASB and ASB are in the process of analysing comments received.

Liabilities/ equity project

Puttable Financial Instruments

In March the ASB issued an exposure draft (ED) of an amendment to FRS 25 (IAS 32) 'Financial Instruments: Presentation', to change the classification from liabilities to equity of certain financial instruments. The issuance of the ED followed a final amendment to IAS 32 'Financial Instruments: Presentation' issued by the IASB in February.

The IASB originally issued an ED proposing an amendment to IAS 32 in June 2006. Those proposals made limited amendments to the IAS 32 classification of financial instruments puttable at fair value and obligations arising on liquidation. FRS 25 is the converged UK standard corresponding to IAS 32. The ASB published an exposure draft in July 2006 proposing amendments to FRS 25 to ensure the standard's continued convergence with IAS 32.

In response to comments from respondents the IASB subsequently refined the proposals in the ED. Its final amendment is wider in scope than the original proposals. In particular, the original criterion in the ED for a

puttable financial instrument to be classified as equity if it was puttable at 'fair value' has been removed. The final amendment to the standard was published without a further formal consultation with constituents.

Despite this widening of scope, the ASB's view is that the impact of the amendment in the UK will not be major. As such it has not identified particular situations where the amendment would result in misleading accounting, but believes it might be especially relevant to the funds industry, LLPs, and mutual and co-operative entities. It is consulting with constituents on this point to identify any unintended consequences. The deadline for comments is 16 May.

IASB and FASB papers on Equity and Liability

In November 2007, FASB published a Preliminary Views document "Financial Instruments with Characteristics of Equity". That paper discusses three possible approaches to distinguishing between liabilities and equity. However, it favours the 'basic ownership' approach which limits the instruments that can be classified as equity to the lowest residual interest in the entity. All other instruments are categorised as liabilities or assets under this approach.

The IASB issued that document as an IASB discussion paper in February 2008 for comment by 5 September, downloadable from the IASB website www.iasb.org. The IASB paper compares and contrast the three 'FASB approaches' with a fourth approach: the existing IFRS approach, set out in IAS 32 Financial Instruments: Presentation. In particular, the discussion paper highlights the key criticisms of the distinction set out in IAS 32 between equity and non-equity instruments as being:

- (a) how the principles in IAS 32 are applied in practice; and
- (b) whether application of those principles results in an appropriate distinction between equity and non-equity instruments.

Projects

In the coming months IASB will consider whether to transfer this project from its research agenda to its active agenda as a joint project with FASB. The responses to this discussion paper would therefore feed into the further development of this project.

PAAinE paper on Equity and Liability

The PAAinE discussion paper, developed by the German Standard-Setter and issued jointly by EFRAG and the standard-setters of Denmark, France, Germany, Italy, and the UK, presents a fifth possible approach, labelled the loss absorption approach. The paper analyses the existing IASB distinction between equity and liabilities and concludes that it has apparent shortcomings. It goes on to note that rather than addressing the shortcoming it would be more appropriate to perform a fundamental review of the principle. It concludes that sharing of losses is the decisive factor in distinguishing equity from liability, therefore, any capital available to absorb an entity's losses are classified as equity under this approach. The paper has been prepared to stimulate and contribute to the ongoing debate on the subject and can be downloaded from the ASB website at http://www.frc.org.uk/documents/pagemanager/asb/0801_PAAinE_DP%20Equity-Liabilities.pdf. The comment period for the PAAinE Discussion Paper ends on 28 July 2008.

Hedge accounting

As previously reported the IASB issued its exposure draft of a proposed amendment to IAS 39 Financial Instruments: Recognition and Measurement – Exposures Qualifying for Hedge Accounting in September 2007.

The purpose of the amendments is to clarify when an entity may designate an exposure to a financial instrument as a hedged item. The proposed amendments specify the risks that qualify for designation as hedged risks when an entity hedges its exposure to

a financial instrument and when an entity may designate as a hedged item one or more of the portions of the cash flows of a financial instrument.

The IASB is considering the responses to the exposure draft and deliberating the proposals, and is expected to issue final amendments to IAS 39 by the end of the year. The ASB has proposed corresponding amendments to FRS 26, and will consider these again when the IASB has finalised its amendment.

Insurance

The IASB is considering issues arising from the comment letters on its discussion paper on accounting for insurance contracts, issued last May. The comments received were broadly supportive of many aspects of the building block approach to valuation of insurance liabilities set out in the discussion paper, including the use of current estimates of cash flows, assumptions that were consistent with current market prices, and discounting. However, there was concern over what the risk margin and service margin incorporated into the building block model were seeking to represent, with consequential concerns over the recognition of profit at inception of the insurance contract and over its life as risk expires.

The IASB has commenced deliberation of issues relating to whether the unit of account that is to be measured was the insurance contract as a whole or the separate assets and liabilities that it gives rise to; and whether an alternative to the current exit value measurement basis – for example, a current settlement value – should be developed further. A timetable for the next stage of the project is still being considered. The IASB's insurance working group also met at the beginning of April to consider the issues arising from responses to the discussion paper.

Extractive Industries

At its April meeting the IASB held two education sessions on the extractive industries research project.

In the first session, US Securities and Exchange Commission (SEC) staff outlined the content of the recent SEC Concept Release on Possible Revisions to the Disclosure Requirements Relating to Oil and Gas Reserves. The Concept Release solicited comment on whether the SEC oil and gas definition and disclosure requirements should be revised.

The second session discussed the findings of a review completed for the IASB by the Society of Petroleum Engineers Oil and Gas Reserves Committee and the Committee for Mineral Reserves International Reporting Standards. The review compared the classification and guidelines for oil and gas and minerals reserves and resources and concluded that there is a high degree of compatibility in the logic used in each industry in determining the quantities of reserves and resources that can be extracted and marketed. The IASB considered the report to be useful for the purpose of developing comparable accounting and disclosure models for the oil and gas and minerals industries.

An extractive industries discussion paper is expected in late 2008.

Financial statement presentation

The IASB is continuing to develop its proposals on financial statement presentation and has reconsidered their preliminary view that income taxes should be presented in a separate section of the financial statements, rather than allocated to the different components of comprehensive income.

The planned discussion paper, expected later this year, would include a neutral analysis of the income tax allocation issue with several illustrative examples.

Earnings per Share

In January 2008 the IASB Board reaffirmed and clarified the tentative decisions made in the Earnings per share project. IASB staff were asked to begin drafting the exposure draft on the proposed amendments to IAS 33.

SORPs Update

Authorised Funds

The Investment Management Association (IMA) has issued an exposure draft of a revision to the SORP *Financial Statements for Authorised Funds*, for comment by 25 July 2008.

Local Authorities

The ASB will consider a final draft of the 2008 Code of Practice for Local Authority Accounting, which will apply for local authorities 2008-09 accounts, at its 1 May meeting. There are no significant changes from the 2007 Code of Practice.

The CIPFA/LASAAC Local Authority SORP Board is taking forward a programme of work on developing and implementing a new IFRS-based Code of Practice that will allow local authorities to prepare IFRS based accounts from 1 April 2010. The SORP Board is also considering options for the future governance framework for the Code of Practice, including whether it might move to a model involving the Financial Reporting Advisory Board.

Charities

The Charity Commission has issued an updated version of the Charities SORP 2005. The accounting requirements remain unchanged; hence the update has not been through the ASB approval process. It does however include a new introduction aimed at smaller charities and has been updated to reflect the impact of the Charities Act 2006 and the Companies Act 2006.

The Charity Commission and the Office of the Scottish Charity Regulator, as the joint SORP making body for the charity sector are hosting a Stakeholder Forum in central London on 25 April. The aim is to initiate sector debate on issues affecting development of the next SORP, including the impact of the ASB's convergence agenda. Further events, aimed at building upon the issues debated at the Stakeholder Forum, will be held at a number of locations throughout the United Kingdom over the next twelve months.

People

Appointments

Ken Lever, recently appointed chief financial officer of Numonyx BV, has been appointed to the Board. **Marisa Cassoni**, Chief Financial Officer of the John Lewis Partnership, has been re-appointed to the Board for a second term.

Further Information

For further information on any of these topics please contact Simon Peerless at Aldwych House.

Email: s.peerless@frc-asb.org.uk

The Board's Publications

Copies of the Board's publications may, except where otherwise stated, be obtained from:

FRC Publications

145 London Road
Kingston upon Thames
KT2 6BR

Tel: +44(0) 20 8247 1264

Fax: +44(0) 20 8247 1124

Email: customer.services@cch.co.uk

Website: www.frcpublications.com

Accounting Standards Board

5th Floor
Aldwych House
71-91 Aldwych
London WC2B 4HN

Tel: +44(0) 20 7492 2300

Fax: +44(0) 20 7492 2301

Website: www.frc.org.uk/asb



**ACCOUNTING
STANDARDS
BOARD**

ISSN 1360-1342

a part of the  Financial Reporting Council

The Financial Reporting Council Limited is a company limited by guarantee.
Registered in England number 2486368.
Registered Office: 5th Floor, Aldwych House, 71-91 Aldwych, London WC2B 4HN.