

**In the January 2009 issue**

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- ASB amends standards for the Companies Act 2006

# Responding to the Financial Crisis

A high level of activity continues in response to the credit crunch, with some commentators urging immediate changes to accounting standards as a consequence of the current unprecedented market conditions. ASB Secretary Simon Peerless sets out how the IASB is responding.

The IASB has issued three relevant exposure drafts – on consolidation (see page 4), a clarification on the treatment of embedded derivatives when the host contract is reclassified, and proposed additional disclosures on investments in debt securities. In response to the urgency of the situation, the comment periods have been cut from the usual four months to three months for the consolidation ED, one month for the embedded derivatives amendment, and just 23 days for the additional disclosures – issued just before Christmas. In addition, in October (as noted in *Inside Track* 57) the IASB issued an amendment to IAS 39 permitting certain reclassifications of financial instruments, and added related disclosures to IFRS 7, without any exposure at all – and subsequently issued a clarification to the transition provisions of this amendment, again without exposure.

The ASB has made corresponding amendments to FRS 26 on reclassifications, and issued a Press Notice in December confirming that it would also amend FRS 26 for the clarification. It has also responded to the

IASB supporting the proposed treatment of embedded derivatives, but questioning whether the additional disclosures on debt securities are useful and expressing concern over the proposal to require these disclosures for December 2008 year ends without giving entities sufficient time to collect the information.

These amendments, and the curtailments of due process, reflect the political pressure on the IASB to react swiftly to the current financial crisis. At the end of October 2008, the European Commission wrote to the IASB asking for standards to be amended in three respects – to allow reclassification out of the fair value option, to remove an apparent inconsistency with US GAAP on whether the credit derivative in a synthetic Collateralised Debt Obligation (CDO) must be recognised separately, and to change the impairment requirements on available-for-sale securities – to be effective for December 2008 year ends.

In response, the IASB emphasised the need for all constituents' views to be taken into account. It held roundtables to address these issues, and subsequently

agreed that concerns expressed by users, that reclassifications out of the fair value option would enable losses to be hidden, were compelling. No further action on this point was proposed. On the question of embedded derivatives in CDOs, the IASB and the FASB agreed that the IFRS and US standards were consistent, but that the FASB would issue a clarification to ensure that the US standard was applied in the same way as IFRS. On impairment, the IASB agreed that the requirements should be reviewed, but in the short term proposed the additional disclosures referred to above.

In addition, the IASB and the FASB have set up a joint Financial Crisis Advisory Group to consider financial reporting issues arising from the crisis. Chaired jointly by Harvey Goldschmid (former Commissioner of the US SEC) and Hans Hoogervorst (Chairman of the Netherlands Authority for Financial Markets), the Group comprises 16 other members, including five from the US and Stephen Haddrill (Director General of the ABI) and four others from the EU. The group held its first meeting on 20 January.

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## Responding to the Financial Crisis

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Meanwhile, in the US, the SEC has carried out a study on mark-to-market accounting, as required under the Emergency Economic Stabilisation Act of 2008. Amongst its conclusions were recommendations that existing fair value requirements should not be suspended, but that the application and practice relating to fair value measurement should be improved, and that the accounting for impairment of financial assets should be reviewed. Furthermore, accounting standards should continue to be established to meet the needs of investors. The full report is available from the SEC website at <http://www.sec.gov/news/studies/2008/marktomarket123008.pdf>.

The ASB remains fully supportive of the IASB's efforts to achieve true global financial reporting standards, but has serious concerns that the current situation could threaten the independence of international standard setting, proper due process and the achievement of that goal. In November the ASB coordinated the issue by the National Standard Setters Group of a communiqué to the IASB and its Trustees expressing support for the IASB's goal and governance structure. This communiqué emphasised the importance of following appropriate due process. Whilst acknowledging that in extraordinary times that process might be shortened, national standard setters would assist in stimulating debate to make that shortened process effective. It also urged those adopting international standards to accept the decisions of the IASB where these are made with adequate due process and deliberation.

# 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 Private Entities (previously the IFRS for SMEs)

*The ASB continues to focus on the future direction of UK reporting for UK companies. The project is a very high priority for the ASB.*

The ASB has approved a plan for the remaining stages of its consideration of the future of UK GAAP which, subject to the development of the IASB's IFRS for Private Entities, envisaged a publication of a discussion paper during the second quarter of 2009 to be followed by an exposure draft, with implementation after a transition period running from 2010 to 2012. As reported in *Inside Track* 55, the Board plans to propose a three tier reporting structure – full IFRS for entities which are deemed to have public accountability (Tier 1), the IFRS for Private Entities for the middle tier (Tier 2), and the Board's Financial Reporting Standard for Smaller Entities (FRSSE) for the smallest tier (Tier 3).

As previously reported in *Inside Track* there are many complex issues that need to be addressed, not least the cut-off points between the tiers and the relationship with the EU accounting directives. The ASB will reach final conclusions on these important issues 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.

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

The Board is discussing the criteria for determining which entities should be in Tier 1 and has tentatively agreed that the development of the discussion paper should proceed on the basis that all publicly accountable entities, regardless of size, should be in Tier 1, and that the IASB definition of public accountability should be used. As a result, all listed entities would be included in Tier 1 regardless of where they are listed. The Board has also approved plans for carrying out an evidence-based comprehensive, efficient and transparent impact assessment.

The Board is also considering the basis on which it will consult on the future of UK GAAP in relation to: (a) small and medium sized entities (including the potential impact of EU Member States being given the option to exempt micro entities requirements of the Accounting Directives) and (b) subsidiaries. While re-affirming its view that the FRSSE should remain in use for the foreseeable future, the Board will consider further on micro entities and the accounting requirements for subsidiaries when the outcome on the IFRS for Private Entities becomes clearer.

Subsequent Board meetings will cover Tier 2 issues and special cases, such as entities covered by Statements of Recommended Practice (SORPS), and mutual and co-operative societies.

*Progress by the IASB on the IFRS for Private Entities.*

So given the importance of the outcome of the IASB's IFRS for Private Entities, what is the current status?

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# European Developments

In May 2008 the IASB began the process of redeliberating the proposals in their exposure draft by considering some of the main issues identified in the comment letters and field tests; this process was completed in September 2008. At the October to December meetings the IASB discussed issues that had been deferred at previous meetings, and some new issues on which respondents requested further guidance, in particular, on issues addressed by some IFRIC interpretations.

At its meeting in January 2009, the IASB has been discussing the main outstanding issues, which include amortisation of goodwill, a requirement to prepare consolidated financial statements, whether the IFRS for Private Entities should allow use of the full standards for more complex types of business, the section on concepts and pervasive principles, the title of the standard and which entities should be eligible and the revised and complete proposal for financial instruments.

At its February meeting the IASB will discuss the simplification of defined benefit pension accounting and 'whether to reexpose'. Staff plans to submit a ballot draft of a final IFRS for Private Entities to the Board in April and public release in May or June 2009.

As well as all that, the name of the standard may change: there is a proposal that it should be labelled the IFRS for Non-Publicly Accountable Entities.

## Strengthening the European contribution to international standard-setting

*Inside Track 57* reported on the proposals put forward by the European Financial Reporting Advisory Group (EFRAG) to enhance the European arrangements for dealing with international financial reporting issues, in particular to strengthen the capability to provide timely and effective proactive input in the early phase of the IASB's due process.

The EFRAG Supervisory Board announced its final proposals in December 2008, which are in line with those reported in *Inside Track 57*. These can be accessed at: <http://www.efrag.org/news/detail.asp?id=295>. On next steps, EFRAG will agree a Memorandum of Understanding (MoU) with the major European National Standard-Setters (NSS), including the ASB, on how to put the proposals in practice so that Europe can work together more effectively to strengthen its voice in seeking to influence the development of IFRS.

## 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 and amended in Regulation 297/2008 (see *Inside Track 55*).

In November 2008, the European Commission published a consolidated text of all EU-adopted IFRS endorsed between 29 September 2003 and 15 October 2008, as Commission Regulation (EC) No 1126/2008. The consolidated text is available in the *Official Journal of the European Union* and accessible at: <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:L:2008:320:SOM:EN:HTML>.

During December, 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=304>.

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

**Revised IFRS 3** *Business Combinations* (January 2008)

**Revised IFRS 1** *First-time Adoption of IFRS 1* (November 2008)

**Improvements to IFRS** (May 2008)

**Amendments to IAS 27**

*Consolidated and Separate Financial Statements* (January 2008)

**Amendments to IAS 32 and IAS 1**

*Puttable Financial Instruments and Obligations Arising on Liquidation* (February 2008)

**Amendments to IFRS 1 and IAS**

**27** *Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate* (May 2008)

**Amendment to IAS 39** *Eligible Hedged Items* (July 2008)

**Amendment to IAS 39**

*Reclassification of Financial Assets: Effective Date and Transition* (November 2008)

**IFRIC 12** *Service Concession Arrangements* (November 2006)

**IFRIC 15** *Agreements for the Construction of Real Estate* (July 2008)

**IFRIC 16** *Hedges of a Net Investment in a Foreign Operation* (July 2008)

**IFRIC 17** *Distributions of Non-cash Assets to Owners* (November 2008).

# Consolidated Financial Statements

In December 2008 the IASB issued ED 10 'Consolidated Financial Statements'. ASB Project Director Michelle Crisp summarises the proposals in this long-awaited exposure draft.

ED 10 aims to improve the definition of control and the disclosure requirements about consolidated and unconsolidated entities. In 2008 the IASB accelerated the consolidation project, in response to the global financial crisis and the recommendations of the Financial Stability Forum, which it commenced in 2003. The project's objective is to develop a single IFRS on consolidation to replace the consolidation requirements of IAS 27 'Consolidated and Separate Financial Statements' and SIC-12 'Consolidation - Special Purpose Entities'.

## Control of an entity

Consistent with the IASB's Framework Discussion Paper 'Preliminary Views on the Conceptual Framework for Financial Reporting: The Reporting Entity' the ED proposes to implement the controlling entity model as the only basis for consolidation.

The ED contains the following definition of control:

*A reporting entity controls another entity when the reporting entity has the power to direct the activities of that other entity to generate returns for reporting entity.*

The ED seeks to widen the definition of power by providing that power is the ability to direct 'activities' of an entity. The current standard, IAS 27, refers to 'power to govern the financial and operating policies of an entity'.

The ED also explicitly states that 'returns' can be both positive and negative. Perhaps the most important point in the definition of returns is that returns vary with the entity's activities. An entity's ability to affect the performance of the assets of another

entity is linked to its willingness to expose itself to the variability of returns from that entity. In assessing control a reporting entity is, therefore, required to assess both power and benefits together.

In assessing control a reporting entity considers all relevant facts and circumstances including the terms and conditions of all related arrangements. Control is not shared; that is, the power to direct the activities of an entity can be held by one entity only. On the other hand, power does not have to be absolute. Protective rights may restrict power but do not preclude someone else having control.

A reporting entity may have the power to direct the activities of another entity even if it holds less than half of the voting rights of that entity (de facto control), if the reporting entity has more voting rights than any other party, and they are sufficient to give it the ability to determine the strategic operating and financing policies.

A currently exercisable option or convertible instrument does not itself give control but needs to be taken into consideration when assessing control. The ED also addresses agency relationships. Whilst an agent might appear to have the ability to direct the activities of an entity, this ability is governed by agreement, law or fiduciary responsibility that requires the agent to act in the best interests of the principal. Provided the agent earns fees that are commensurate with the agency services it performs this will not indicate control, even if the fee is performance-related.

## Structured entities

The ED proposes that a control test should also apply to structured entities, defined as entities whose activities are restricted to the extent that they are not 'directed' as described in the definition of control.

The IASB decided on this definition of a structured entity because it could not find a single attribute or set of attributes that it considered satisfactorily isolated the types of entities it had in mind.

The ED provides that in assessing control of a structured entity it is necessary to identify how returns from the entity's activities are shared and how decisions, if any, are made about the activities that affect those returns, and to consider all relevant facts and circumstances. Power can be more difficult to assess when the activities of an entity are not directed by strategic operating and financing policies. However, the ED implies that a reporting entity should be able to reach a decision on whether it controls a structured entity by applying the definition of control of an entity, and a structured entity is rarely, if ever, set up with entirely predetermined activities.

The IASB also considered reputational risk – a reporting entity's implicit commitment to provide support for unconsolidated structured entities without having a contractual or constructive obligation to do so. The IASB has decided that this is not a basis for consolidation because it reflects management intent, but must be disclosed.

## Disclosures

The ED also proposes improvements to disclosures relating to:

- decisions regarding the basis of control and significant assumptions or judgements made;
- restrictions on consolidated assets and liabilities: the proposals seek to clarify IAS 27 and would require disclosure of all restrictions that result from assets and liabilities being held by subsidiaries.

In addition, where the entity has involvement with structured entities that it has set up or sponsored but which it does not control it must disclose the nature and extent of the reporting entity's involvement and the resulting risks.

The ED is open for comment until 20 March 2009. The ASB is currently developing its views, and will be holding discussions with constituents on the issues arising.

# UITF and IFRIC Update

## Transfers of Assets from Customers

The IFRIC has agreed an Interpretation on the transfers of assets from customers and this is expected to be issued shortly, subject to IASB ratification.

The Interpretation is based on the draft D24 'Customer Contributions' issued in January 2008.

The Interpretation will apply to the accounting for transfers of property, plant and equipment by entities that receive such transfers from their customers. It addresses how to determine whether the asset transferred meets the definition of an asset; how to measure it on initial recognition; and how to account for the corresponding credit balance.

The most significant change from D24 relates to revenue recognition. The IFRIC agreed that an entity receiving an asset from a customer may not always have an obligation to provide ongoing access to a supply of goods or services as a result of the transfer.

## Customer-related intangible assets

IFRS 3 'Business Combinations' (as revised in 2008) requires an acquirer to recognise the identifiable intangible assets of the acquiree separately from goodwill. The IFRIC concluded that how the customer relationship is established helps to identify whether a relationship exists but should not be the primary basis for determining whether the acquirer recognises an intangible asset.

In the light of the explicit guidance in IFRS 3, and widespread confusion in practice on this issue, the IFRIC decided that it could be best resolved by referring it to the IASB with a recommendation to review and amend IFRS 3 by removing the distinction between contractual and non-contractual customer-related intangible assets recognised in a business combination; and reviewing the indicators that identify the existence of a customer relationship.

## IFRIC 14

The IFRIC noted that IFRIC 14 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' may produce unintended consequences in the treatment of voluntary prepaid contributions under a minimum funding requirement, and added this issue to its agenda. It is expected that it will propose amendments to the wording of paragraph 22 of IFRIC 14.

The UITF continues to monitor the IFRIC projects.

# Publications

## Proposed Amendments to FRS for the Companies Act 2006

In December the ASB issued an Exposure Draft (ED) containing proposals to update FRS 2 'Accounting for Subsidiary Undertakings', FRS 6 'Acquisitions and Mergers', and FRS 28 'Corresponding Amounts' to take account of the introduction of the Companies Act 2006 and accompanying Regulations. The objective is not to amend the requirements of these standards but to ensure that they correspond with current legal requirements.

The Exposure Draft (ED) can be downloaded, free of charge, from the FRC website at [www.frc.org.uk/asb/publications](http://www.frc.org.uk/asb/publications). The comment period closes on 5 March.

## Amendment to FRS 8 – Related Party Disclosures: Legal Changes 2008

In December the ASB published 'Amendment to FRS 8 Related Party Disclosures – Legal changes 2008'. The amendment reflects changes to the law introduced by 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008' (the Regulations).

In particular, the amendment:

- changes the definition of 'related party' in FRS 8 to be the same as that in the law; and
- provides an exemption for intra-group transactions provided that any subsidiary undertaking which is a party to the transaction is wholly-owned. This is a change from FRS 8, which provided a scope exclusion for 90 per cent owned subsidiaries.

The amendment means that the requirements of Regulation to give particulars of related party transactions will be met by complying with FRS 8. The amendment is effective for accounting periods beginning on or after 6 April 2008.

## Improvements to FRS

Also in December, the ASB issued its FRS of 'Improvements to FRS', setting out amendments to UK standards that arise from the IASB's annual improvements IFRS of May 2008, plus some UK consequentials and UK improvements.

# IPSASB Update

The International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting Board of the International Federation of Accountants, has issued for comment the first in a series of consultation papers focused on the development of an international public sector conceptual framework. Entitled 'Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities', the consultation paper identifies the IPSASB's preliminary views on the objectives and scope of financial reporting, the qualitative characteristics of information included in general purpose financial reports and the characteristics of public sector reporting entities.

The consultation paper is available on the IPSASB website at <http://www.ifac.org/PublicSector/>. Comments are requested by 31 March 2009.

# Update on Cur

## The Financial Reporting of Pensions

In January 2008, the ASB published a discussion paper that takes a fresh look at – and is designed to stimulate discussion on – the principles that might be reflected in a future accounting standard on pensions. The project has been led by the ASB as part of the Pro-Active Accounting in Europe (PAAinE) initiative, which is a partnership including EFRAG and European standard-setters. The comment period closed on 14 July 2008 and more than 100 responses have been received.

The Board has started to reconsider the issues dealt with in the discussion paper in the light of the comments received, starting with issues relating to the recognition and measurement of pensions obligations.

## Complexity Project

As noted in *Inside Track 56*, the FRC is carrying out a project to review the complexity and relevance of current corporate reporting requirements.

The objective of the project is to consult with different participants involved in regulating, communicating and using corporate information, and determine the causes of complexity. It is planned to use this knowledge to develop and promote, both nationally and internationally, recommendations aimed at reducing complexity, increasing relevance and making reports more understandable.

During the last half of 2008, the FRC researched the causes of complexity with users, preparers and auditors through a series of face-to-face interviews, online questionnaires, and round table events. Research findings were debated by the newly formed Complexity Advisory Panel and by the ASB.

Some of the research findings are as follows:

- Most interview participants agree that corporate reporting is more complex than it needs to be

- Corporate reports are too long, partly because they are cluttered with immaterial and repetitive information
- The increasing gap between external reporting and information used by management to run a business is adding to complexity
- Regulations and accounting standards change quickly and many people are struggling to keep up

The complexity project is now moving from the research/analysis into the conclusions phase and it is expected that a discussion paper setting out the recommendations will be issued in the second quarter of 2009.

## Earnings per Share

As noted in *Inside Track 57*, the IASB issued proposals for simplifying earnings per share in August 2008. In its response to the IASB, the ASB did not agree with the proposals, but supported the alternative view set out in the exposure draft. In the ASB's view, it is not appropriate for the IASB to continue with this project as further changes are likely to arise and the current proposals would not result in full convergence between IFRS and US GAAP.

## Discussion Paper – Preliminary Views on Revenue Recognition in Contracts with Customers

In December 2008 the IASB published a Discussion Paper (DP) 'Preliminary Views on Revenue Recognition in Contracts with Customers', as part of its joint project with the FASB.

The DP proposes that a single revenue recognition model be applied to all contracts under which revenue is earned, based on allocating revenue to the different performance obligations in the contract.

The single revenue recognition model would be based on the changes in the contract asset or liability with the customer. The contract with the customer would be broken down into separate performance obligations on the basis of their relative selling prices, observed or estimated, on a stand-alone basis. The

contract price would be recognised as revenue as each performance obligation is satisfied. A performance obligation would be remeasured only if deemed onerous.

The ASB will be responding to the DP within the comment period which expires on 19 June 2009.

## Financial Statement Presentation

In October 2008 the IASB issued a discussion paper outlining its preliminary views on financial statement presentation.

To improve the usefulness of the financial statements, the paper proposes three objectives of financial statement presentation:

- The cohesiveness objective – the relationship between different items across the financial statements must be clear. Current formats are inconsistent with this objective because, for example, it is not easy to relate operating assets and liabilities to the income and cash flows that they generate.
- The disaggregation objective – providing the right level of disaggregation in the financial statements so that they are useful in assessing future cash flows. The concern with current practice is that sometimes items with different economic characteristics are aggregated in a single line item.
- The liquidity and financial flexibility objective – providing information to assess an entity's ability to meet its financial commitments.

Applying the above principles will result in numerous proposed changes to the existing primary statements. Most notably, it is proposed that:

- Each of the statement of financial position, statement of comprehensive income and statement of cash flows be divided into six categories: operating, investing, financing, income taxes, discontinued operations and equity/other comprehensive income.
- Each category on the balance sheet may contain a mix of assets and liabilities classified into further short-term and long-term sub-categories

# rent Projects

and with a separate disclosure of total assets and total liabilities (as this will not necessarily be readily apparent in the new balance sheet format)

- Comprehensive income be reported in a single statement with both a net income and comprehensive income sub-total, and the existing option to report on two statements be eliminated.
- The statement of cash flows be presented using the direct method
- An additional note disclosure be added to disaggregate each line item in the statement of comprehensive income into four components: cash flows, recurring remeasurements (ie. depreciation), non-recurring remeasurements (ie. impairment charges) and accruals other than remeasurements.

The ASB is currently considering its response to the discussion paper. The comment period for the paper closes on 14 April 2009.

## Relationships with the State

The IASB issued revised proposals in December to simplify the disclosure requirements of IAS 24 'Related Party Disclosures' for state-controlled entities, as such entities may find it difficult and costly to provide all the required details for transactions with other state-controlled entities. The IASB believes that it is possible to omit some of the required details while still providing sufficient information to users of financial statements.

The IASB published in 2007 a proposal to exempt state-controlled entities from providing disclosures about transactions with other state-controlled entities if specified conditions were met. However, respondents were concerned about the complexity of the proposals. The IASB has therefore modified its proposals.

The revised exemption would not require state-controlled entities to assess the extent of state influence. It would exempt such entities from providing

full details about transactions with other state-controlled entities and the state, but require general disclosures about the type and extent of significant transactions.

The ASB will be responding to the ED within the comment period which expires 13 March 2009.

## Annual Improvements

The ASB submitted in October 2008 its response to the IASB's Exposure Draft 'Improvements to IFRSs' (issued August 2008) broadly supporting the proposed changes. The ASB will consider consequential amendments to UK GAAP once the IASB has finalised its amendments to IFRS.

The UITF is monitoring the current phase of Annual Improvements being considered by the IASB.

## First-time adoption

In September 2008, the IASB issued an exposure draft proposing relief from some of the measurement requirements in IFRS 1 'First-time adoption of International Financial Reporting Standards' for oil and gas assets and property, plant and equipment held by entities subject to rate regulation. These exemptions have been proposed to assist the next tranche of countries adopting full IFRS which include Brazil, Canada, China, India, Israel and South Korea.

The ASB has responded to the IASB broadly supporting the proposed amendments to IFRS 1, but asking the IASB to develop a more principle-based approach to affording relief for first-time adopters.

## Discontinued Operations

The IASB issued Exposure Draft (ED) 'Discontinued Operations – Proposed Amendments to IFRS 5' in September 2008. The ED proposes to amend the definition of 'discontinued operations' to encompass components of an entity that constitute a 'segment' of a business (as determined under IFRS 8 'Operating Segments'). The other

significant proposal in the ED is to extend the disclosure requirements to the discontinuance of all components of an entity even where they do not satisfy the definition of a 'discontinued operation'.

In its response to the IASB, the ASB has indicated that it does not support the proposals in the ED on the grounds they are unlikely to improve reporting of discontinued operations in the financial statements. The ASB noted in its response that on this occasion, pursuit of the IASB's objective to achieve convergence with US GAAP did not result in an enhancement to the requirements of IFRS 5. The ASB has suggested that it is more appropriate for the IASB to deal with discontinued operations more comprehensively as part of its financial statement presentation project.

## Tax research project

The ASB and German Accounting Standards Board's joint project on Accounting for Corporate Income Tax is under way (see *Inside Track* 57). The project, which is being carried out under the Pro-Active Accounting in Europe (PAAinE) initiative, is considering, from first principles, how best to account for corporate income taxes. The Boards approved proposals for the running of the project at their joint meeting in November. A Tax Advisory Panel (TAP) has been formed to provide expert input to the project.

The TAP met informally at the end of October 2008 to discuss the issues encountered in practice in applying IAS 12 'Income Taxes' to identify some of the problems that the project needs to address and will meet again in February. In parallel, a European Working Group is being formed to ensure that issues are considered from a wider European perspective.

The project has also attracted interest from other national standard setters including Australia, South Africa and Singapore.

# SORPs Update

## Local Authorities

CIPFA/LASAAC has published an Invitation to Comment and Exposure Draft for the 2009 Code of Practice for Local Authority Accounting in the UK. The main developments are in respect of accounting for PFI schemes and similar arrangements and accounting for council tax and national non-domestic rates.

A copy of the consultation is available on the CIPFA website at <http://www.cipfa.org.uk/pt/cipfalasaac/consultation.cfm>. The closing date for comments is 8 February 2009.

CIPFA/LASAAC is also taking forward work on developing an IFRS-based Code of Practice. This will apply from 2010-11 and is being prepared under revised governance arrangements involving oversight by the Financial Reporting Advisory Board.

The CIPFA website at <http://www.cipfa.org.uk/pt/cipfalasaac/ifrs.cfm> shows the proposed structure of the IFRS-based Code and includes draft chapters, as approved by CIPFA/LASAAC. The website notes these drafts may change as the development of the Code progresses or following review by the FRAB. It also explains that CIPFA/LASAAC will formally consult on the IFRS-based Code during spring/early summer 2009.

## Charities

The Charity Commission and the Office of the Scottish Charity Regulator, as the joint SORP making body for the charity sector, are taking forward a research programme to learn from stakeholders how the next Charities SORP could better reflect their needs in reporting and accounting. Further information on the research programme is available on the Charity Commission website at <http://www.charity-commission.gov.uk/investigations/sorp/comresearch.asp>.

## Registered Social Landlords

The RSL SORP Working Party is taking forward a programme of work for a proposed SORP update in 2010 and published a consultation paper 'Component Accounting' on 5 December.

A copy of the paper can be downloaded from the NHF website at: <http://www.housing.org.uk/default.aspx?tabid=171&mid=835&ctl=Details&ArticleID=1843>. Comments are requested by 23 January.

## Investment trusts

At the end of January the Association of Investment Companies issued its revised SORP on the financial statements of investment trust companies and venture capital trusts.

## Further Information

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

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## The Board's Publications

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

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# People

**Robert Overend** has been reappointed to the Board for a second term. **Chris Nunn** stood down from the UITF at the end of December, and **Una Curtis** and **Kathryn Cearns** were reappointed to the UITF for a further term.