INSIDE TRACK 47

ACCOUNTING STANDARDS BOARD

**In the April 2006 issue**



# Convergence - the big debate goes on

The ASB's strategy for convergence of UK standards with International Financial Reporting Standards (IFRS) has generated a lot of debate and the responses from constituents have given the Board much food for thought - but no easy answers!

In March 2005, the ASB published an Exposure Draft (ED) of a Policy Statement on its future role. The ED argued that the most significant future role for the ASB would be in seeking to influence the development of high quality international accounting standards, working with the International Accounting Standards Board (IASB), the US Financial Accounting Standards Board (FASB) and other national, European and international bodies involved with standard-setting.

The responses to the ED confirmed the importance of the ASB's influencing role and identified two central issues for further consideration:

- the ASB's policy on convergence of UK standards with IFRS
- how the ASB should most effectively relate to and communicate with its UK constituents and influence EU and international matters.

On convergence, the ASB stated in the ED that it believes that there can be no case for maintaining differences between the principles underlying UK accounting standards and IFRS. In the ED, the ASB had proposed to bring UK standards into line with IFRS using a phased approach, bringing a number of standards on related topics into effect each year over a 3-4 year period. The respondents expressed a variety of views on this and - at a public meeting held in January 2006 - the ASB proposed that further changes to UK standards should be introduced with a common effective date, currently estimated to be financial years beginning on or after 1 January 2009.

At the public meeting, the convergence strategy generated a significant amount of debate. Differing views were expressed about whether full IFRS should be applied to more entities than those that are required to adopt them by the EU Regulation. Some thought large private companies should be required to report under full IFRS, others thought it was not about size but public accountability and yet others thought full IFRS should not be inflicted on those that are not legally required to adopt it. It was generally agreed that there was a case for having a simpler alternative for the smallest companies. Whether that would be IASB's IFRS for Small and Medium sized Entities (SMEs) or a FRSSE would depend on progress with the IASB's project and its outcome.

One of the key issues for the ASB in setting a workable strategy for convergence is determining where the boundaries should be between full IFRS and any simplified alternative. The ASB is continuing to discuss this issue.

*Continued ...*

# Convergence - the big debate goes on

*Continued*

**The importance of influencing**

On communications, the ASB has developed a strategy which reflects the fact that the Board's role has changed from only developing its own standards to one of influencing the development of IFRS. A draft of the strategy was considered at the public meeting in January 2006, where it attracted general support. A final version of the strategy has been developed and is available on the website at: http://tinyurl.co.uk/s7cb

In summary, our communications strategy aims to ensure that:

- We demonstrate leadership in being well informed and setting the agenda with our standard-setting research.
- Our constituents are made aware of and kept up to date on important matters and as projects commence and progress.
- We encourage a dialogue with our constituents in real time.
- We work with and input into the processes of international, European and national bodies involved with standard setting and interpreting.
- We are open and transparent in our processes.

# EFRAG Update

On 23 March, EFRAG and the European Commission signed a formal agreement setting out how the two bodies will work together going forward. The document recognises EFRAG's expertise on technical accounting issues related to IFRS. EFRAG will continue to provide endorsement advice to the Commission and technical input to the IASB and IFRIC.

In addition, the Chairmen of EFRAG and the IASB have agreed arrangements on how to enhance the links between 'Europe' and the IASB. Under these arrangements, representatives of the IASB Board and the Chairmen of EFRAG, the ASB and the French and German standard-setters will meet before each joint meeting of the IASB and FASB to review the IASB's work programme and progress. The first of these meetings took place on 12 April. The next meeting will be held in October. Discussion on technical topics will be held in public.

One concern within Europe has been the consistent application of IFRS. On this issue, the Commission has set up a 'Roundtable' to act as a forum for European accounting experts to identify, at an early stage, emerging and potentially problematic accounting issues in relation to consistent application. The Commission's intention is that the Roundtable will be "informal and temporary" and will act as a filter mechanism for issues that might be put to the IFRIC for consideration. The first Roundtable will take place on 17 May.

An updated status report on the endorsement of IFRS in the EU is available on the EFRAG website at www.efrag.org.

# IASB developments

On 27 February, the IASB and FASB published a Memorandum of Understanding (MOU) that reaffirms the two Boards' shared objective of developing high quality, common accounting standards for use in the world's capital markets. The MOU is a further elaboration of the objectives and principles first described in the October 2002 Norwalk Agreement signed by the Boards. It reflects the context of the 'roadmap' for removal of the reconciliation requirement for non-US companies that use IFRS and are registered in the United States.

Following the release of the MOU, the IASB has issued a projected project timetable on its website (www.iasb.org), giving the current best estimate of document publication dates.

On 6 April, the IASB issued a Statement of Best Practice 'Working Relationships between the IASB and other Accounting Standard-Setters'. The Statement identifies a range of activities that the IASB and regional and national standard-setters believe they should undertake in the interests of facilitating the adoption of or convergence with IFRS. The Statement also encourages national standard-setters to provide critical analysis of the IASB's proposals and to make the IASB aware of any major conceptual difficulties they have with a project as soon as possible in the project's life.

# Current hot topics

## Measurement

The ASB hosted two roundtables on 24 April to discuss issues relating to the basis of measurement to be used in financial reporting. The use of historical cost in financial reporting is increasingly replaced by the use of fair value, and the IASB is reviewing its conceptual framework, including measurement attributes on which it has taken a first step by publishing a Discussion Paper 'Measurement Basis for Financial Accounting - Measurement on Initial Recognition'. The Discussion Paper was prepared by staff of the Canadian Accounting Standards Board (AcSB) and can be downloaded from the IASB website at: http://www.iasb.org/current/dp_pv.asp. The IASB is seeking comments by 19 May. A FASB project on 'Fair Value Measurement' is also nearing completion.

As context for the roundtables, AcSB staff have prepared an article on the Discussion Paper and the ASB has produced a background paper discussing some of the issues to be considered in the debate on accounting measurement. These are available on the ASB website at: http://www.frc.org.uk/asb/about/pub1059.html. Presentations on these were made at the roundtables by AcSB staff, together with further presentations looking at the issues from the academic, valuation and standard-setting perspectives. A summary of points made at the roundtables will be made available on the ASB website.

## Accounting for pensions

As reported previously in *Inside Track*, the ASB is undertaking a major research project into accounting for pensions.

To assist in this research, the ASB has formed a Pensions Advisory Panel in the UK, with members who can provide a variety of expert perspectives. The role of the Panel is to ensure that a number of knowledgeable points of view are fully considered. A European working group has also been set up to bring broad European experience to the project. The views of Panel and working group members will be fully reported to and debated by the ASB Board. The prime responsibility for the output will rest with the ASB.

The Panel has met three times this year and the European working group twice. Both groups have strongly supported a proposed 'back to basics' approach of examining the fundamentals of pension accounting, in the context of the conceptual framework. In addition, in March staff of the ASB presented a paper to the meeting of national standard setters in Toronto.

The groups' discussions to date have focussed on:

- defining the benefits that are within the scope of the project
- defining the liability that arises from the obligation to deliver benefits
- defining the liability when a separate fund is established.

*Defining the benefits*

A pension is simply a form of deferred remuneration given in exchange for an employee's services. Pensions are the most significant form of deferred remuneration and will thus be the main focus of the project. However, if the principles of accounting for pensions are sound, they should also be appropriate for other forms of benefits which are payable after the service has been provided.

*Defining the liability*

The key issues considered are when an obligation to deliver benefits meets the definition of a liability and what future events should be reflected in the measurement of that liability. The groups have been readdressing these issues with particular attention on how to account for increases to benefits that are discretionary and how to account for the effects of future increases in salaries when benefits are linked to future salaries.

*Separate funds*

The groups have discussed the assets and liabilities that arise (both in individual entities' and consolidated accounts) when separate vehicles (eg trusts) are involved. In these circumstances, the employee has a right to receive benefits, irrespective of how the arrangement is funded. A corresponding obligation exists amongst the providers of the benefits. A question that goes to the heart of the asset and liability 'offsetting' issue is how that obligation is shared.

This issue has been approached by addressing the following questions:

- is the vehicle a separate entity or is it part of the employing entity?
- if the vehicle is a separate entity, what assets and liabilities arise in each entity?
- if the vehicle is a separate entity, should it be consolidated by the employing entity (the analysis has considered whether the control test that the IASB is developing in its project on consolidation can be applied to pension plans)?

The project team is now consolidating the ground covered with the Panel and the European group.

## Retirement Benefits: Disclosures

The Board has also been reviewing the disclosure requirements for defined benefit schemes as set out in FRS 17. This review is distinct from the wider research project on accounting for pensions and is focused on how the disclosure requirements in FRS 17 might be improved in the short-term, giving particular consideration to the recent changes made in the UK regulatory regime.

The Panel and the European group have assisted in this review and, following research on possible improvements to disclosures, have made a number of recommendations to the ASB. The ASB is now considering these recommendations with a view to developing an Exposure Draft, which it is hoped will be issued soon for consultation. In deciding on a proposal, the Board is conscious of the need for any disclosures to address the needs of users of financial statements, whilst at the same time minimising costs and the burdens on preparers.

# New from the

### ASB issues Amendment to FRS 26 'Financial Instruments: Measurement - Recognition and Decrecognition

This month, the ASB has issued an Amendment to FRS 26. This amendment will implement the recognition and derecognition material as included in the international financial reporting standard IAS 39 'Financial Instruments: Recognition and Measurement'.

In the exposure drafts preceding FRS 26 the Board had decided not to implement in the UK the sections of IAS 39 relating to recognition and derecognition of financial instruments as it doubted the validity of the method of derecognition being considered by the IASB. Consequent to the IASB revising the derecognition model the Board decided to bring FRS 26 fully in line with IAS 39 by implementing the IAS 39 recognition and derecognition material into the standard.

For entities within the scope of FRS 26, the existing requirements of FRS 5 'Reporting the Substance of Transactions' would be superseded for transactions in financial assets and liabilities that fall within the scope of the new requirements, but FRS 5 would continue to apply to transactions in non-financial assets and liabilities.

Entities within the scope of FRS 26 also need to comply with the disclosure requirements of FRS 25 (IAS 32) 'Financial Instruments: Disclosure and Presentation' or, from 2007, FRS 27 (IFRS 7) 'Financial Instruments: Disclosures'. The amendment inserts disclosure requirements relating to derecognition into these two standards.

In the exposure draft setting out these amendments the Board had also proposed to extend the scope of FRS 26 to all entities, excluding those applying FRSSE, in the UK. The Board agreed to defer a decision on the extension of the scope until it had reached conclusions on the wider issue of convergence of UK standards with IFRS.

The amendments are effective for accounting periods commencing on or after 1 January 2007, with earlier adoption permitted. Transitional provisions are also set out for initial adoption of the amendments.

### ASB issues Reporting Statement on the Operating and Financial Review (OFR)

In January, the ASB issued a Reporting Statement 'The Operating and Financial Review'.

The Reporting Statement has been issued in the light of the Government's decision to remove the statutory requirement on quoted companies to publish OFRs. Following the repeal of the legislation, the ASB has withdrawn Reporting Standard (RS) 1 'The Operating and Financial Review' and has converted RS 1 into a statement of best practice on the OFR.

Legislation remains in place requiring companies to prepare an enhanced review of their business (the Business Review) in the directors' report, in line with the provisions of the 2003 EU Accounts Modernisation Directive.

Many major companies already publish an OFR on a voluntary basis and the ASB is keen that they should continue to do so, which is why it has issued the statement as an up-to-date and authoritative source of best practice guidance for companies to follow. The guidance set out in the statement is more specific than the requirements set out in legislation, in particular with regard to forward-looking information.

In preparing this statement, the ASB has sought to limit the changes to those required as a consequence of the repeal of the OFR legislation and to make the language consistent with a voluntary statement of best practice rather than a standard. Given the extensive consultation that took place in developing RS 1, and the need to continue to give entities guidance in preparing voluntary OFRs, the ASB has issued this as a final Reporting Statement, rather than engaging in a further round of consultation.

In the meantime, the Government has been consulting on whether the legal provisions on the Business Review or other provisions contained in the Company Law Reform Bill should be clarified or amended so as to ensure effective, forward-looking narrative reporting by quoted companies. That consultation closed on 24 March.

### ASB issues Discussion Paper 'Heritage Assets - Can Accounting Do Better?'

In January, the ASB published a Discussion Paper setting out proposals to improve the consistency and transparency of the financial reporting of heritage assets. The proposals will be relevant to entities such as museums holding collections of art, antiques and books and also entities which own and manage landscape or buildings for their environmental or historical qualities.

The ASB's work in developing the proposals was led by its Committee on Accounting for Public-benefit Entities (CAPE). The Discussion Paper has been developed in collaboration with the International Public Sector Accounting Standards Board, which published the ASB paper separately in February.

The Discussion Paper proposes that entities should adopt a policy of recognising heritage assets where it is reasonably practical. Specifically, a capitalisation approach is to be required where it is practicable to obtain valuations which, when supplemented with appropriate disclosures, provide useful and relevant information sufficient to assist in an assessment of the value of heritage assets held by an entity.

However, where it is clear that practical considerations prevent this, a 'non-capitalisation' approach should be adopted. Entities would be required to provide relevant disclosures (including the reasons why valuation is not practicable) and consistently apply a policy of reporting heritage transactions in a way that does not distort financial performance.

Example disclosures are included in the Discussion Paper to illustrate the proposals.

The ASB is seeking comments on the Discussion Paper by 31 May. A copy of the Discussion Paper can be downloaded from the ASB's website.

### ASB issues proposals to update the FRSSE

This month, the ASB has issued an Exposure Draft of an Amendment to the Board's Financial Reporting Standard for Smaller Entities (FRSSE). Since the FRSSE was last updated, eight new FRSs have been issued. There have also been two amendments to FRSs and two new UITF Abstracts. In considering whether these changes in financial reporting are appropriate for smaller entities, the Board has been advised by its specialist Committee on Accounting for Smaller Entities (CASE).

The Exposure Draft also considers FRS 20 (on share-based payment), which was not addressed in the last amendment to the FRSSE, and recent changes in company law financial reporting requirements. In particular, the Board is seeking views on its proposal to apply in full the requirements of FRS 20.

The Exposure Draft is expected to lead to the fifth periodic revision to the FRSSE. It is proposed the amendment will be effective for accounting periods beginning on or after 1 January 2007. Comments on the Exposure Draft are requested by 31 July 2006.

### Proposals issued on Share-based Payment

In February the IASB issued an exposure draft of amendments to IFRS 2 'Share-based Payment', clarifying the treatment where a share option is cancelled by the employee.

Under the standard, where share options are granted to employees, the value of the options (at grant date) is treated as an expense over the period in which services are received from the employee - normally the period until the options can be exercised. Where the employer cancels the option, the standard requires the unamortised balance of the cost to be expensed immediately at the date of cancellation.

However, the standard is silent on how to treat cancellations by the employee (other than where the employee leaves the employment). Cancellations by the employee are common in schemes such as save-as-you-earn (SAYE) or similar savings-related share option schemes, where the employee must make regular payments into a savings account to remain entitled to the options. Employees may decide to cancel for a number of reasons even though this may mean forgoing valuable options.

Under the proposed amendment, such cancellations would be treated in the same way as cancellations by the employer - the unamortised balance of the cost would be recognised immediately. The likelihood of cancellations would also need to be taken into account in determining the fair value of the options at the grant date.

The ASB has some concerns over this proposal, as it results in the recognition of a cost in the period a cancellation occurs even though no additional services are received from the employee in that period. However, as IFRS 2 has been implemented in the UK as FRS 20 (IFRS 2) 'Share-based Payment', a corresponding amendment to FRS 20 will be needed to keep the standards converged if the IASB proceeds with its amendment. The ASB has therefore issued the proposals as a UK exposure draft, for comment by 2 June (the same date as the IASB comment deadline).

## National Standard-Setters (NSS) meet in Toronto

As part of the ASB's influencing role (see page 2), Chairman Ian Mackintosh chairs a group of NSS from around the world. The group met in Toronto during March. As well as the UK, delegates attended from Australia, Canada, France, Germany, Japan and the USA, as well as EFRAG and the IASB. Representatives of standard-setters from Austria, Mexico, Russia and Spain, also observed the meetings.

The meeting discussed a number of research projects being undertaken around the world. The UK led the debate on a number of items (pensions and leasing). Other substantive discussions covered joint ventures (led by Australia), capital maintenance (led by France), liabilities and equity (led by Germany) and interpretations (led by Canada). For this last discussion, the group was joined by a number of guests representing the securities regulators in Canada, UK and USA, IFRIC, and the interpretive bodies in Canada and the USA.

# Current Projects

## Operating segments

As anticipated in *Inside Track 46*, the IASB in January published its proposals to replace the existing IAS 14 'Segment Reporting', adopting instead the US standard SFAS 131 'Disclosure about Segments of an Enterprise and Related Information', with only minimal amendments. SFAS 131 adopts a 'managerial approach', whereas IAS 14 focuses more on disaggregation of consolidated financial statements. The IASB is seeking comments by 19 May.

The ASB is not proposing the introduction of IAS 14 into UK standards at the present time, but will review this decision once the ASB's strategy for convergence with IFRS has been finalised. For the present time, the current UK standard on segment reporting, SSAP 25, will remain applicable for the larger UK companies that are within its scope and do not adopt IFRS.

## Conceptual framework

The IASB and FASB are continuing with their joint project to revisit their conceptual frameworks for financial accounting and reporting. The goal of the project is to develop a common conceptual framework that both Boards can use in developing new and revised accounting standards. As reported previously, the ASB continues to monitor closely the project and we will report on developments.

The first output is to be an Exposure Draft on Phase A of the project, dealing with the objectives and qualitative characteristics of financial reporting. This is scheduled to be issued by the end of June 2006. As reported in *Inside Track 46*, at least some of the proposals are likely to be controversial, notably that stewardship should not be a specific objective of financial reporting, and that reliability should be dropped as a qualitative characteristic in the converged framework, to be replaced by "faithful representation". The ASB will raise awareness of the Exposure Draft when it is issued and we plan to host a roundtable during the consultation period to discuss the issues that arise. ASB developments will be notified to those registered on our website.

In the meantime, the Boards have started discussions on a number of the later phases of the project, considering the elements of financial statements (in particular the definitions of assets and liabilities) and the reporting entity concept.

The ASB is also working with a number of other national standard-setters, and IPSASB, to consider the implications for public benefit entities of the conceptual frameworks project.

## Leases

The IASB is considering adding a project on lease accounting to its agenda, building on the work carried out in the recent joint ASB/IASB project to replace the distinction between finance and operating leases with a single model that recognised as an asset the lessee's right of use of the physical asset over the period of the lease (and which itself developed ideas set out in G4+1 discussion papers in 1996 and 1999). The IASB is discussing with the FASB whether this should be a joint project between the two Boards, and an agenda decision is likely following the IASB's Standards Advisory Council meeting in June.

## Performance reporting/financial statement presentation

The IASB has issued an exposure draft of the first stage of its performance reporting project. This would require all gains and losses to be presented in either a single statement of performance, or in a separate income statement and statement of recognised income and expenditure. The two-statement option is very similar to the profit and loss account/statement of total recognised gains and losses presentation required under FRS 3 'Reporting Financial Performance'. The exposure draft also specifies what constitutes a full set of set of financial statements, and would require two comparative periods, rather than the present one, for the statement of financial position (the new term proposed for the balance sheet).

The ASB does not propose any changes to UK standards in the light of this exposure draft.

The scope of the second phase of the performance reporting project has been widened to encompass the presentation of information in each of the financial statements, not restricted to performance reporting, and the project title changed accordingly.

## Puttable instruments at fair value

The IASB is considering proposals to amend IAS 32 'Financial Instruments: Disclosure and Presentation' so that certain shares that are currently classified as debt by the issuer because the holder has the right to require repayment from the issuer - puttable shares - would be classified as equity if they meet specified criteria. In particular the shares must be both issued and repayable at an amount that represents a pro-rata share of the fair value of the issuing entity.

## Borrowing costs

The IASB is continuing to work towards an exposure draft of proposals to require capitalisation of borrowing costs as part of the cost of a constructed item of plant, property or equipment, amending IAS 23 'Borrowing Costs' to remove the current choice between capitalisation and non-capitalisation of borrowing costs.

## Insurance contracts

The IASB is continuing to debate proposals for both life and general insurance accounting. It is considering approaches based on a current measurement of insurance liabilities, under which the current best estimate of the expected future cash outflows would be discounted at current interest rates, taking into account an explicit margin to reflect the risks associated with the cash flows. Investments held by insurers would continue to be accounted for under the requirements of IAS 39 'Financial Instruments: Recognition and Measurement'.

The IASB's conclusions would be presented in a discussion paper, possibly later in 2006, before the development of an exposure draft and eventual standard.

# UITF and IFRIC Update

## UITF Abstract 41 'Scope of FRS 20 (IFRS 2)'

Abstract 41 was issued on 7 April. It has the effect of implementing IFRIC Interpretation 8 'Scope of IFRS 2' in the UK and the Republic of Ireland for entities preparing their financial statements in accordance with UK accounting standards and, in doing so, are applying FRS 20 (IFRS 2) 'Share-based Payment'.

FRS 20 'Share-based Payment' requires an entity to recognise share-based payment transactions in its financial statements. Transactions in which an entity receives goods or services as consideration for equity instruments of the entity (including shares or share options) are share-based payment transactions. Such transactions give rise to expenses (or, if applicable, assets) that should be measured at fair value.

IFRIC 8 was developed to address situations in those parts of the world where, for public policy or other reasons, companies give their shares or rights to shares to individuals, organisations or groups that have not provided goods or services to the company. An example is the issue of shares to a charitable organisation for less than fair value, where the benefits are more intangible than usual goods or services. Abstract 41 confirms that such arrangements fall within the scope of FRS 20 (IFRS 2). It is effective for accounting periods beginning on or after 1 May 2006.

## UITF Abstract 42 'Reassessment of Embedded Derivatives'

Abstract 42 was issued on 7 April. It has the effect of implementing IFRIC Interpretation 9 'Reassessment of Embedded Derivatives' in the UK and the Republic of Ireland for entities preparing their financial statements in accordance with UK accounting standards and, in doing so, are applying FRS 26 (IAS 39) 'Financial Instruments: Measurement'.
FRS 26 (IAS 39) describes an embedded derivative as a component of a financial instrument that has the features of a stand-alone derivative; that is, it causes cash flows under the instrument to vary with a specified interest rate, market price, foreign exchange rate or other financial variable. FRS 26 (IAS 39) requires an embedded derivative to be separated from the non-derivative elements of the contract, and accounted for as a stand-alone derivative, unless the derivative features are 'closely related' to the non-derivative features of the compound instrument.

Abstract 42 (IFRIC 9) addresses the question of whether it is necessary to reassess the treatment of an embedded derivative throughout the life of a contract if certain events occur after an entity first becomes a party to the contract. It concludes that reassessment is not permitted unless there is a significant change to the terms of the contract. Abstract 42 is effective for accounting periods beginning on or after 1 June 2006.

## The interpretation of equivalence for the purposes of section 228A of the Companies Act 1985

With effect for accounting periods commencing on or after 1 January 2005, the Companies Act 1985 has been amended to include a new section 228A. This exempts, subject to certain conditions, an intermediate parent undertaking from the requirement to prepare consolidated accounts where the parent entity is not established under the law of an EEA state. The new exemption extends to UK companies an optional exemption in the EU Seventh Company Law Directive that was not taken up when its provisions were originally enacted through the Companies Act 1989.

The new exemption complements the well established exemption in section 228 for intermediate parent undertakings where the parent entity is established under the law of an EEA state.

Exemption is conditional upon compliance with various conditions, including that the intermediate parent and all of its subsidiaries are included in consolidated accounts for a larger group drawn up in accordance with the provisions of the Seventh Directive or in a manner equivalent to consolidated accounts so drawn up.

Questions have been raised as to whether financial statements drawn up in accordance with IFRS, US GAAP and other GAAPs meet the requirement for 'equivalence' with the Seventh Directive.

The UITF has been discussing this issue with a view to developing a draft Abstract, which it is hoped will be issued soon for consultation. It is not expected that the draft Abstract will address specialised industries.

The UITF takes the view that the reference to equivalence in s228A does not mean compliance with every detail of the Seventh Directive. The UITF believes that a qualitative approach, i.e. with a focus on compliance with the basic requirements of the Directive, is more in keeping with the deregulatory nature of the exemption than a requirement to consider the detailed requirements on a checklist basis.

# SORPs update

Statements of Recommended 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.

### Limited Liability Partnerships

The Consultative Committee of Accountancy Bodies (CCAB) issued in March a revised SORP for limited liability partnerships (LLPs). This reflects the major changes to the presentation of members' interests that results from the application of FRS 25 (IAS 32) 'Financial Instruments: Disclosure and Presentation'. In particular, in many cases members' interests are now classified as liabilities, and members' profit shares treated as an expense in the profit and loss account. In addition, any liability for post-retirement payments due to members are to be accrued as the rights to payments accrue.

Copies of the revised SORP are available from the CCAB: www.ccab.org.uk.

### Interpretation of the Statement of Principles for Public Benefit Entities

With the Exposure Draft generating a significant number of responses from across the public benefit entity sector, ASB staff remain busy analysing the comments made. There is also a need for further work on liabilities and capital grants which were the two issues attracting most comments from respondents to the Exposure Draft. Whilst this work is expected to involve further discussions with relevant sectors, the Board remains committed to the delivery of this important project.

It is therefore expected that firm proposals on key issues will be presented to both CAPE and the Board over the coming months with a final Statement available for Board approval later in the year.

# Appointments

**Tony Good** stood down from the Board at the end of March 2006. A replacement for Tony is being sought. **Andrew Lennard** has been made ASB Director of Research in order to give proper leadership to the Board's research and agenda leadership. **David Loweth** has taken on the role of Acting Technical Director until the advertising of the position and appointment to it has been finalised.

**Matthew Curtis**, Technical Director with Ernst and Young, has been appointed to the UITF.

**Duncan Russell**, **Jenny Carter** and **Seema Jamil-O'Neill** have left the staff of the ASB as Project Directors. **Peter Godsall** has joined the staff as a Project Director, as has **Alan O'Connor**, the latter on secondment from the National Audit Office.

**Further Information**
For further information on any of these topics please contact David Loweth at Aldwych House.

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**The Board's Publications**
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