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## EU critical path on financial instruments

Key among the fifteen revised and improved standards issued by the IASB in December were the revised versions of IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement'. On the assumption that the portfolio hedging changes will be agreed by the IASB in March, the critical path to the incorporation of these standards in the reporting regime for listed companies in 2005 now rests firmly with the European Commission.

What started life, in June 2002, as exposure drafts of relatively limited scope reviews of these two standards broadened as the IASB found commentators were challenging aspects of the standards that the IASB had not proposed to amend.

After much redeliberation, the IASB has now produced the amended standards on financial instruments - although limited changes to IAS 39, relating to the specific areas of portfolio hedging, are still to come in March 2004. Given the extent of the revisions to these standards, this is a considerable achievement. In the light of comments received, not only have many changes of substance been made; there has been considerable redrafting to add clarity and to make the standards easier to work with. Guidance material has been moved from the standard itself to an appendix of application guidance, and the IAS 39 implementation guidance that was

published separately by the IASB has been comprehensively reviewed.

Adoption by the EU is the final step before these amended standards form part of the accounting regime that will apply for listed companies in 2005. The adoption process includes the need to arrange translation of the standards into the EU official languages, consideration by the 'technical expert group' of advisers referred to in the IAS Regulation, and approval by the Accounting Regulatory Committee. This process will inevitably take some months; any delay will create uncertainty for both preparers and users of financial statements - and ultimately, could damage the credibility of European financial reporting under the IAS Regulation. We would encourage Europe to set in hand at the earliest possible dates the various measures necessary to adopt these amended standards to ensure that there is no

gaping hole in the accounting regime that will apply for listed companies in 2005. A prompt start to the translation process in all EU languages, coupled with an early indication from the ARC that it is minded to adopt would enable companies that will be applying the standards to make best use of the limited time that remains for implementation.

The ASB will be considering what changes to make to UK accounting standards on financial instruments now that the IASB has finalised its amended standards. It intends to build on the proposals made in FRED 23 and FRED 30, in the context of its broader plans for convergence between UK standards and IFRS, and expects to issue a consultation paper in the spring of 2004.

**For more technical detail on the two revised standards, see pages 3-4.**

# International standards ready for use at 2005

Inside Track 37 indicated differences between twelve international standards that have been revised under the IASB's 'Improvements' project (issued in December 2003) and their current UK equivalents.

A further twelve standards have not been changed since being inherited by the IASB and are not expected to be changed before the IASB's 'period of calm' begins in March 2004. These have already been adopted by the EU (in September 2003) and are therefore ready for use from 2005 by companies that will prepare accounts under the EU Regulation.

This article deals with the twelve unchanged standards and indicates 'headline' comparisons with the equivalent UK requirements. The IASB has already begun, however, to reconsider some of these standards; others are expected to be reconsidered after 2005. We understand that any changes will not be mandatory for 2005, although some may be revised in time for voluntary early adoption.

## IAS 7 Cash flow statements

- IAS 7 is similar to the original FRS 1 before it was revised in 1996. It requires cash flows to be reported under three headings (operating, investing and financing) whereas FRS 1 has eight.
- IAS 7's cash flow statement is a statement of changes in cash and cash equivalents (including short-term liquid investments). FRS 1's statement is a statement of changes in cash only; cash flows relating to management of liquid resources are reported separately.

## IAS 11 Construction Contracts

- The accounting requirements of IAS 11 and SSAP 9 are similar.

- UITF Abstract 34 specifies more narrowly than IAS 11 the limited circumstances when pre-contract costs may be carried forward as assets.

## IAS 12 Income Taxes

- IAS 12 requires deferred tax to be provided on temporary differences rather than timing differences and could result in larger deferred tax liabilities than the UK standard. Deferred tax is required on all revaluation gains (rather than only when there is an agreement to sell a revalued asset) and on the unremitted earnings of associates (rather than only to the extent that distribution of earnings has been agreed).
- IAS 12 does not allow deferred tax assets and liabilities to be discounted. FRS 19 permits but does not require discounting.

## IAS 14 Segment Information

- IAS 14 and SSAP 25 differ as regards how reportable segments are defined. IAS 14 also identifies primary and secondary segments, requiring more disclosures about the former than the latter. Under IAS 14, business and geographical segments are usually the organisational units for which information is reported to the board and CEO; under SSAP 25 segments are determined by reference to the risks, returns etc of different classes of business and geographical areas.
- The disclosures required by IAS 14 are more extensive.

## IAS 18 Revenue Recognition

- The specific requirements of IAS 18 are generally similar to those of Application Note G to FRS 5 (issued in November 2003).

## IAS 20 Government Grants

- The accounting requirements of IAS 20 and SSAP 4 are similar. Both standards allow grants related to assets to be either deducted from the cost of the asset or recognised as deferred income. The former treatment is not, however, permitted by the Companies Act 1985 (although companies and groups that prepare accounts under the EU Regulation from 2005 will not be constrained by the Act).
- In December 2003 the IASB undertook to consider whether IAS 20 should be withdrawn.

## IAS 23 Borrowing Costs

- IAS 23 and FRS 15 both make capitalisation of borrowing costs optional, and the two standards have similar requirements.
- There are some differences regarding the calculation of borrowing costs eligible for capitalisation. First, IAS 23 admits certain exchange differences to the definition of borrowing costs. Second, where borrowings specifically relate to expenditure on an asset, IAS 23 takes the actual borrowing costs less any investment income received from the temporary reinvestment of unutilised borrowings; FRS 15 takes interest on the amount of borrowings that has been spent on the asset to date.

## IAS 29 Financial Reporting in Hyperinflationary Economies

- IAS 29 applies to the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy. It requires the financial statements to be stated in terms of the measuring unit current at the balance sheet date (ie adjusted for the effect of inflation).
- When translating the financial statements of a subsidiary that operates in an area of hyperinflation, IAS 21 requires the method in IAS 29; it does not permit the alternative method in UITF 9 of using a relatively stable currency as the functional currency.

### **IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions**

- IAS 30 applies only to banks and similar financial institutions. It specifies accounting policies to be disclosed, items to be shown in the profit and loss account and balance sheet, and other financial instrument disclosures. Although many of these requirements are similar to those of Schedule 9 to the Companies Act 1985 and the BBA SORPs, some additional disclosures are required. IAS 30 is currently under review by IASB for amendment after 2005.

### **IAS 34 Interim Financial Reporting**

- Entities that are required or choose to publish interim financial reports in accordance with IAS must apply IAS 34. There are no significant differences between IAS 34 and the ASB Statement 'Interim Reports'.

### **IAS 37 Provisions, Contingent Liabilities and Contingent Assets**

- There are no significant differences between IAS 37 and FRS 12. Aspects of IAS 37 are under review in the IASB's short-term convergence project with the FASB and so changes could be made in time to be available for early adoption in 2005.

### **IAS 41 Agriculture**

- IAS 41 sets out accounting requirements for the following when they relate to agricultural activity: biological assets (ie living animals or plants), agricultural produce at the point of harvest and government grants. IAS 41 requires biological assets up to the point of harvest to be measured at fair value less estimated point-of-sale costs, with changes in that value being recorded in profit or loss for the period in which it arises. There is no equivalent UK standard.

# IASB issues revised standards on financial instruments

The IASB has recently issued its revised standards on financial instruments - although further amendments to incorporate macro-hedging for interest rate risk are expected to be issued in March 2004. These standards set out detailed requirements relating to financial instruments - a widely defined category of assets and liabilities, and including certain commodity and other contracts that can be settled net. Some of the areas covered are not dealt with by existing UK requirements and the IASB standards are more prescriptive than is generally the case with UK standards.

This article summarises some of the key differences between the IASB standards and current UK standards.

### **IAS 39 Financial Instruments: Recognition and Measurement**

#### *Measurement and hedging*

Under existing UK requirements, financial instruments are generally carried at amortised cost - less impairment provisions in the case of financial assets - although some entities mark-to-market trading books with changes in value recognised in the profit and loss account. IAS 39 requires specific measurement bases to be applied to different categories of financial instrument, which would require a number of significant changes to existing UK practice.

Under IAS 39, all derivatives, and non-derivative financial instruments held for trading purposes, must be measured at fair value with changes in value recognised in the profit and loss account. This also applies to certain derivative-like features - including some prepayment options or settlement options - that are incorporated into a non-derivative contract, which must be separated from the main contract and accounted for as a derivative. IAS 39

allows any other financial asset or liability, when initially recognised, to be designated as being at 'fair value through profit or loss'. This 'fair value option' may simplify the accounting in certain circumstances. Detailed rules for the method of determining fair value are set out, including requirements for the use of valuation models for instruments that are not traded on a market.

Other financial assets that are loans or other receivables and are not traded on a market are measured on an amortised cost basis. Accrual of interest must be calculated on the effective yield basis which spreads the interest, together with any initial fees or costs, over the life of the asset at a constant yield. Financial liabilities are also measured at amortised cost, unless the option to designate them as at 'fair value through profit or loss' is chosen.

Securities and other financial assets that the entity has the intention and ability to hold to maturity and which meet certain other criteria may be classified as 'held to maturity' and measured on the amortised cost basis; however, disposal of any such held-to-maturity assets before maturity will restrict use of this accounting for the future. Other financial assets not falling within one of the above categories are treated as 'available for sale' and measured at fair value. Changes in their fair value are recognised directly as part of equity and only included in the profit and loss account when they are realised.

All assets, other than those held for trading or measured at fair value under the 'fair value through profit or loss' option must be tested for impairment in accordance with the detailed methods set out in the IAS.

# IASB issues revised standards on financial instruments *continued*

# Mineral Resources

All derivatives must be measured at fair value, whether used for hedging or trading purposes - unlike current UK practice, where hedging derivatives such as interest rate swaps are often accounted for on an amortised cost basis to match the accounting treatment of the hedged item. IAS 39 permits special hedge accounting, allowing recognition of gains or losses on the hedged item in some circumstances but imposes strict requirements for hedge designation and effectiveness testing of the hedge relationship - whereas existing UK standards do not address hedge accounting other than hedges of net investments in foreign operations.

## *Derecognition*

IAS 39 also addresses the circumstances in which an entity should cease to recognise (derecognise) financial assets and financial liabilities. This material has important consequences for the accounting treatment of financing arrangements that involve the transfer of rights to future cash flows, such as securitisations, debt factoring, sub-participations and repos. The existing UK requirements on this subject are in FRS 5.

At either extreme - in other words, when the reporting entity has retained substantially all the risks and rewards inherent in the transferred rights to cashflows or when it has transferred substantially all those risks and rewards - IAS 39 and FRS 5 require broadly the same accounting treatment (continued recognition of the asset in the first case, derecognition in the second). However, between the extremes the accounting may differ because, unlike FRS 5 - which focuses on exposure to risks and rewards - IAS 39 analyses such transactions by reference to control.

## **IAS 32 Financial Instruments: Disclosure and Presentation**

Although IAS 32 deals largely with matters also covered by existing UK standards, there are a number of important differences.

- (a) Under FRS 4 'Capital Instruments', instruments issued are classified as either part of shareholders' funds or as liabilities. Preference shares, for example, are reported within shareholders' funds. Under IAS 32 instruments are either 'equity' or 'liabilities', and many preference shares will be classified as liabilities. This also has consequences for the profit and loss account, because dividends paid on preference shares classified under IAS 32 as liabilities will be interest payments, not dividends.
- (b) IAS 32's requirements on the circumstances in which a debtor or other financial asset should be shown in the balance sheet netted off (offset) against a financial liability are different from the offset requirements in FRS 5 'Reporting the Substance of Transactions'. For example, under FRS 5 the existence of a master netting agreement is often sufficient in itself to enable debtor and creditor balances to be offset; under IAS 32 there needs also to be an intention to offset.
- (c) There are many detailed differences between the financial instrument disclosure requirements in IAS 32 and those in FRS 13 'Derivatives and other Financial Instruments: Disclosures'. For example, IAS 32 requires credit risk disclosures, and requires banks to disclose fair value information about their banking books, whilst FRS 13 does not. Furthermore, the scope of IAS 32 is wider than FRS 13 - IAS 32 applies to all entities; FRS 13 does not apply to unlisted entities or to insurance companies.

An IASB exposure draft on exploration for and evaluation of mineral resources was published on 15 January. It proposes giving entities reporting under IFRS the option of accounting for their exploration and evaluation expenditure by using the accounting policies applied in their most recent annual financial statements. Under the proposals, exploration and evaluation assets are to be carried subject to impairment reviews as specified in IAS 36 Impairment of Assets but the cash-generating unit used in the test may be either that specified in IAS 36 or the one on which impairment tests were performed for the entity's most recent annual financial statements. The disclosures proposed will identify and explain the amounts in the financial statements that arise from the exploration for and evaluation of mineral resources.

The comment period ends on 16 April 2004.

## International Interpretations

The International Financial Reporting Interpretations Committee (IFRIC) has issued two draft interpretations: D3 Determining whether an Arrangement Contains a Lease; and D4 Decommissioning, Restoration and Environmental Rehabilitation Funds.

Both are available on the IASB website [www.iasb.org.uk](http://www.iasb.org.uk) and, if finalised and adopted for use in Europe, will be mandatory in 2005 for accounts prepared under the IAS Regulation.

The comment period ends on 19 March 2004.

The UITF has considered both drafts and, whilst D3 will lead to accounting different from that in FRS 5, has no current plans for these Interpretations to be added to UK standards.

# Updates on current projects

## Leases

The ASB is undertaking a research project on leases for the IASB. The project aims to develop a single method of accounting for leases that is consistent with the IASB's Framework. The ASB presented a project plan to IASB at its meeting in May 2003. The recommendations of the G4+1 in its position paper Leases: Implementation of a New Approach (1999) and the responses provide a valuable resource for the project. However, it is intended that all of the issues to be considered in the project will be examined from first principles and that the G4+1 conclusions will not be assumed. Indeed, several of the IASB's ongoing projects are addressing issues that are similar to those that arise in leasing. These include work being undertaken on revenue recognition, measurement, financial instruments, derecognition and consolidation. In some of these cases, current thinking has moved ahead of the thinking at the time of the G4+1's work.

At the IASB's meeting in November, the ASB presented a paper discussing the foundations of a conceptual model for analysing the assets and liabilities arising from lease contracts. The paper focused on major rights and obligations that are usually conveyed by leases, ie rights of use, rights and obligations to return property, rights to receive and obligations to pay rentals. The IASB tentatively agreed that recognising the assets and liabilities that arise from all leases would provide more relevant, reliable and comparable financial information than recognising assets and liabilities only in respect of finance leases. Therefore, rather than focusing on whether a lease conveys rights similar to outright ownership, it was proposed that a conceptual model should analyse the contractual rights and obligations in lease contracts and identify the changes to assets and liabilities that arise from them.

The paper considered the application of a conceptual approach to some simple lease examples through the analysis of contractual rights and

obligations, including the identification of recognition points for changes in assets and liabilities. Under this analysis, the signing of a lease (ie before the equipment is delivered to the lessee) gives rise to certain contractual rights and obligations, but these resemble a forward contract where each party has the right to require the other to engage in the transaction. In many cases, delivery of the leased asset (which gives the lessee control over the right of use and access to future economic benefits) would be a significant act of performance by the lessor and the appropriate point for the recognition of changes in assets and liabilities. This approach is consistent with that being explored in the IASB's revenue recognition project - after all, a lease may be viewed as a contract giving rise to a sale of rights of use to the lessee. The IASB was keen to consider lessor accounting issues, including when it is appropriate for lessors to derecognise leased assets and recognise revenue, early in the project.

Some suggest that a lessee should recognise an asset reflecting the right to use the whole of the leased property and a liability that includes the obligation to pay rentals and return the leased property at the end of the lease. Neither ASB nor IASB supported a 'whole asset approach'. Instead, the assets and liabilities that arise from a lease would reflect the conveyance of the right of use for the period of the contract. This analysis also suggests that where a lease is freely cancellable by the lessee or lessor, the asset and liability amounts recognised by the lessor and the lessee should reflect both (i) the conveyance of the right of use up to the date at which the lease can be cancelled and (ii) the lessee's or the lessor's option in respect of periods beyond that date.

A further paper addressing cancellation and renewal rights was considered at IASB's January meeting.

## Reporting financial performance

The ASB is engaged in a joint project with the International Accounting Standards Board in the area of

reporting financial performance. The main focus of the project is the development of a single statement of comprehensive income to replace the profit and loss account and statement of total recognised gains and losses (STRGL) required by FRS 3 'Reporting Financial Performance'.

The IASB/ASB have adopted a principles-based approach to revising the format of the income statement. This approach takes as its starting point an overall objective: *"to categorise and display all income and expenses\* for the period in a way that enhances users' understanding of the entity's financial results and that assists users in forming expectations of future income, expenses and profit or loss."*

In 2003, IASB and ASB discussed an outline statement with companies and small groups of preparers and users of financial statements. Many of those consulted in the field visits doubted the need for a radical re-shaping of performance reporting and, particularly in continental Europe and Japan, urged that net income in its present form should be retained. Others, especially users but also some preparers, welcomed the project as an attempt to bring greater standardisation into the reporting of the activities of a period and to find a means of dealing with the often large and volatile gains and losses that were increasingly becoming recognised in financial reporting. Many respondents also urged the need for the project to be co-ordinated with a similar project by FASB.

In the light of these findings, the two Boards agreed that more time should be taken to permit a fuller debate with all interested parties. The next step would be a discussion paper. This would cover all the issues, including those relevant to the FASB project.

\*In IASB terminology 'income and expenses' includes all changes in equity other than transactions with owners. The equivalent expression in UK GAAP is 'total recognised gains and losses'.

# Updates on current projects *continued*

## Business combinations

In December 2002 the IASB published the results of Phase I of its work on this topic, ED 3 'Business Combinations' together with the associated exposure drafts of revisions to IAS 36 'Impairment of Assets' and IAS 38 'Intangible Assets'. At the same time the ASB published a Consultation Paper including the IASB text but proposed not to adopt it into UK standards until the IASB had completed the whole of its business combinations project including Phase II.

The IASB invited comments on its proposals by 4 April 2003 and in June 2003 started considering the comments received as well as the feedback from field visits with companies in various countries and round table discussions with people working with the North American equivalent standards in the USA and Canada.

Some of the key proposals in ED 3 (and the associated proposed revisions to IAS 36 and IAS 38) were:

- the abolition of merger accounting and instead a requirement to identify an acquirer in every business combination;
- the non-amortisation of goodwill, to be replaced by an impairment-only approach using a two-stage impairment test;
- 'negative goodwill' to be treated as a gain immediately;
- greater recognition of intangible assets in a business combination (through amendments to the definition and presumptions about reliability of measurement);
- detailed disclosures relating to the recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives.

During its redeliberations of the proposals in ED 3 the IASB has decided to amend certain of its original proposals. In particular:

- the impairment test to be applied to goodwill;
- the recognition of intangible assets;
- the disclosures relating to recoverable amount.

## Impairment test

The IASB has decided to retain the existing IAS 36 approach to measuring impairments of goodwill (which is very similar to the impairment test in FRS 11). This means that a consistent impairment test will be applied to goodwill and other assets and also that, where a cash-generating unit is impaired, the impairment will be applied initially to goodwill with any excess then being applied to the other assets in the unit.

## Recognition of intangible assets

The IASB has decided to clarify that where a group of related tangible and intangible assets generate the same cash flows they can be recognised as a single asset provided they have similar useful lives.

## Disclosures relating to recoverable amount

The IASB has decided to amend the proposed requirements relating to these disclosures in a number of ways which should have the effect of meeting their objective, but reducing the volume of disclosure required.

The IASB is planning to publish the final standards arising from Phase I of the Business Combinations project before the end of March 2004.

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

In May 2003 the ASB published a Discussion Paper including a Proposed Interpretation of the Statement of Principles for Financial Reporting, for Public Benefit Entities. Comments were invited and during the Autumn the ASB and its Public Sector and Not-for-profit Committee (PSNC) have reconsidered a number of issues in the light of the comments received.

The main issues that have been discussed include:

- the defining class of user;
- the definitions of the elements of financial statements;
- business combinations;
- contributions from controlling parties;
- notional transactions;
- liabilities; and
- grants.

Following its discussions an initial conclusion has been reached by PSNC on the way forward in relation to most of the topics above, but not all are likely to result in significant amendments to the Proposed Interpretation included in the Discussion Paper.

For example, the PSNC continues to believe that there should be a defining class of user for the financial statements of public benefit entities, and that the defining class of user should be 'funders and financial supporters'. However, it is likely that the revised Interpretation will include some further discussion of the reasons for identifying a defining class of user, state why 'funders and financial supporters' were chosen and refer to more other users, such as beneficiaries.

It is possible that some more significant changes will be made to the Interpretation relating to contributions from controlling parties and notional transactions. The current intention is to suggest that only those contributions that have clearly established rights over the residual interest in an entity should be deemed 'capital contributions', with all others being gains reported in the performance statement.

Further discussion will be needed in relation to 'notional transactions', and if relevant to clarify differences between notional transactions and donated services.

The two most difficult issues relate to liabilities and grants (in particular capital grants). PSNC has spent some time discussing these issues and aims shortly to propose solutions to the Board. It is hoped to publish the revised Interpretation in 2004.

# Urgent Issues Task Force

## Purchases and Sales of Own Shares

Abstract 37 'Purchases and sales of own shares' was issued on 28 October 2003. It requires a holding of an entity's own shares to be accounted for as a deduction in arriving at shareholders' funds, rather than being recorded as assets. Transactions in an entity's own shares are similarly recorded as changes in shareholders' funds and do not give rise to gains or losses. The requirements are consistent with International Accounting Standards.

Abstract 37 takes effect for accounting periods ending on or after 23 December 2003 and therefore applies where a company purchases treasury shares under new legislation that came into effect in December. It also applies, in consolidated financial statements, where the holding company's shares are held by subsidiaries (as reported in October 2003's Inside Track).

## Accounting for ESOP Trusts

On 15 December 2003 the UITF issued Abstract 38 'Accounting for ESOP trusts', which supersedes Abstract 13. Abstract 38 changes the presentation of an entity's own shares held in an ESOP trust from requiring them to be recognised as assets to requiring them to be deducted in arriving at shareholders' funds. Transactions in an entity's own shares by an ESOP trust are similarly recorded as changes in shareholders' funds and do not give rise to gains or losses. This treatment is in line with the accounting for purchases and sales of own shares set out in Abstract 37 (and the draft revised Abstract 13 issued in May 2003 in Information Sheet 60).

Abstract 38 does not include any requirements concerning the recognition of the cost of awards to employees that take the form of shares or rights to shares. Those accounting requirements are now covered by Abstract 17 (see below). Abstract 38 will be mandatory for accounting periods ending on or after 22 June 2004.

## Employee share schemes - Amendment to Abstract 17

Also on 15 December the UITF issued an amendment to Abstract 17 'Employee share schemes'. Abstract 17 is amended by Abstract 38 to reflect the consequences for the profit and loss account of the changes in the presentation of an entity's own shares held by an ESOP trust. Amended Abstract 17 requires that the minimum expense should be the difference between the fair value of the shares at the date of award and the amount that an employee may be required to pay for the shares (ie the 'intrinsic value' of the award). The expense was previously determined either as the intrinsic value or, where purchases of shares had been made by an ESOP trust at fair value, by reference to the cost or book value of shares that were available for the award. The revised treatment is in line with the supplementary consultation note issued in October 2003 (Information Sheet 63).

The full text of the amended Abstract 17 has been published as Abstract 17 (revised 2003). It will be mandatory for accounting periods ending on or after 22 June 2004.

## Emission Rights

In May 2003 the UITF issued a draft Abstract on accounting for emission rights (Information Sheet 61). It addresses the accounting by participants in an emissions trading scheme that applies a 'cap and trade' model. The UK's Emissions Trading Scheme, launched in 2002, is an example of such a scheme. Participants accept a cap on their carbon dioxide emissions and receive tradable emission allowances corresponding to the amount of the cap. An EU-wide scheme will start in 2005.

The proposed Abstract presents the text of a draft Interpretation from the IASB's International Financial Reporting Interpretations Committee (IFRIC), together with the changes that the UITF proposed to reflect accounting requirements in the UK where they

differed from international accounting standards. It proposes that a participant should recognise separately an asset (for emissions allowances held), a liability (for the obligation to deliver allowances for emissions that have been made) and a government grant (where allowances are allocated by government for less than fair value).

The UITF is concerned that the proposed accounting model is not consistent as regards measurement and reporting of changes in these component assets and liabilities. Respondents to the UITF's consultation have shared this concern. The IFRIC has responded to similar concerns of respondents to its consultation by requesting the IASB to consider an amendment to IAS 38 Intangible Assets. IFRIC's recommended amendment would require emissions allowances to be measured at fair value, with changes in value reported in the profit and loss account. The IASB decided at its meeting in December 2003 to propose changes to IAS 38 on the lines recommended by IFRIC and to consider proceeding to withdraw IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The UITF will monitor the progress of IFRIC's debate in the light of changes proposed by IASB, before deciding on the next steps.

## Statements of recommended practice (SORPS): drafts and final texts issued in 2003

In 2003, six definitive SORPs and two draft SORPs were issued:

Title	Issuer	Date
Accounting and Reporting by Charities, Update Bulletin 1 (final)	Charity Commission for England and Wales	January
Financial Statements of Investment Trust Companies (revised) (final)	Association of Investment Trust Companies	January
Financial Statements of Authorised Funds (draft)	Investment Management Association (IMA)	May
Code of Practice on Local Authority Accounting in the United Kingdom 2003 (final)	The Chartered Institute of Public Finance and Accountancy	July
Further and Higher Education (final)	Universities UK	October
Accounting for Insurance Business 2003 (final)	Association of British Insurers	November
Code of Practice on Local Authority Accounting in the United Kingdom 2004 (draft)	The Chartered Institute of Public Finance and Accountancy	November
Financial Statements of Authorised Funds (final)	Investment Management Association (IMA)	November

A complete list of current SORPs may be found at:  
<http://www.frc.org.uk/asb/technical/sorps.cfm>

### Further Information

For further information on any of these topics please contact Charles Bridge at Holborn Hall.

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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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## Appointments

At the end of 2003 **Ken Wild**, National Director - Assurance and Advisory Services, Deloitte & Touche, left the Board after more than nine years as a member. He also left the Public Sector and Not-for-profit Committee on the same date. He was replaced on the Board by **Mike Ashley**, a senior audit partner at KPMG.

**Allan Cook** stood down from his role as Technical Director and Board member at the end of 2003, but he continues working with EFRAG and with the ASB. His successor is **Andrew Lennard**, former Director of Operations.

**Pesh Framjee** of Deloitte & Touche and **Lynn Hine** of PricewaterhouseCoopers have joined the Public Sector and Not-for-profit Committee.

## Staff

**Stephen McEwan** has completed his secondment and returned to the National Audit Office. He has been replaced by **Duncan Russell**, also on secondment from the National Audit Office.

A full account of the Board's current agenda, and of the changing international standards, is given in the 2003 annual review of the Financial Reporting Council. This is available on the FRC's website [[www.frc.org.uk](http://www.frc.org.uk)] or in hard copy from Holborn Hall.