

ACCOUNTING STANDARDS BOARD

Minutes of a meeting of the Accounting Standards Board (2009:11) held on 24 September 2009 at Aldwych House, 71-91 Aldwych, London, WC2

PRESENT

Ian Mackintosh	Chairman
David Loweth	Technical Director
Nick Anderson	
Edward Beale	
Peter Elwin	
Ken Lever	
Andy Simmonds	
Robert Overend	

IN ATTENDANCE

Andrew Lennard	ASB Director of Research
Rufus Rottenberg	BIS
Chris Wobschall	HM Treasury
Ian Wright	FRC Director of Corporate Reporting
Peter Godsall	Secretary
Simon Peerless	Minutes Secretary

Technical Staff: Jennifer Guest, Melanie Kerr, Janice Lingwood, Seema Jamil-O'Neill and Michelle Sansom

APOLOGIES FOR ABSENCE were received from Mike Ashley and Marisa Cassoni.

1 MINUTES OF MEETING

- 1.1 The minutes of the meeting held on 3 September 2009 (2009:10) were agreed and approved for publication.

2 CHAIRMAN'S UPDATE AND REPORTS

Global financial crisis developments

- 2.1 The Board received an update on current events, including information on:
 - a. discussions at the International Accounting Standards Board's (IASB's) recent meetings on amendments to IAS 39 on classification of financial instruments and impairment, including the setting up of an Expert Advisory Group to assist in developing workable proposals on impairment;

- b. the timetable for both IASB and US Financial Accounting Standards Board (FASB) amendments to their financial instruments standards, where the Board expressed the hope that converged standards could be achieved; and
- c. discussions and communications in the run-up to the G20 summit meeting that week, and the possible outcomes from that meeting relating to accounting standards.

National Standard Setters meeting

2.2 The Board received an update on the meeting of National Standard Setters (NSS) held in Frankfurt on 8-9 September. The topics discussed at that meeting included:

- a. the response to the financial crisis and the IASB work-plan;
- b. the draft of the measurement chapter of the conceptual framework;
- c. interpretations of international standards and the need for good communicate between national standard setters on potential issues requiring interpretation;
- d. intangible assets, including a survey of current EU practice carried out by the Accounting Standards Board of Japan, and discussion of a project being carried out by the staff of the Australian Accounting Standards Board;
- e. a paper on effects analysis prepared by staff of the ASB proposing a more systematic approach for considering the effect of accounting standards as those standards are developed;
- f. a presentation on the ASB's redeliberations in the light of responses to the January 2008 discussion paper 'The Financial Reporting of Pensions';
- g. consideration of the detailed implications of the withdrawal of IAS 26 'Accounting and Reporting by Retirement Benefit Plans';
- h. proposals for a review of IAS 21 'The Effect of Changes in Foreign Exchange Rates' led by the Korean Accounting Standards Board in response to the impact of this standard in emerging economies that had seen significant devaluations in their currencies, for which a working group was set up to report to the next meeting of the NSS;
- i. proposals for a review of IFRS 2 'Share-based Payment' from the French Autorité des Normes Comptables; and
- j. a framework for disclosure, on which the US Financial Accounting Standards Board (FASB) had announced a project.

EU issues

2.3 The Board noted that the next meeting of the Accounting Regulatory Committee (ARC) was on 2 October, which would consider an an update of

the European Commission's review of the 4th and 7th Directives. It was reported that the Commission was planning to carry out a public consultation on the IFRS for Small and Medium-sized Entities (SMEs). The Chairman and Technical Director would be meeting the Commission on 5 October to discuss the ASB's consultation document on the future of UK GAAP.

ASB Developments

- 2.4 The Board noted there was a tri-partite meeting with the German and French standard setters the next week. This meeting would discuss views on current projects. In addition, the Chairman would present a paper on the role of the Board. There would also be discussion of what the IASB was likely to be doing post 2011 and an exchange of views on agenda priorities.
- 2.5 The Board also noted that roadshows on the future of UK GAAP would commence soon, with a meeting in Wakefield the next week.

Urgent Issues Task Force (UITF)

- 2.6 The Board noted that the UITF met the previous week and had discussed the IFRIC draft interpretation on the extinguishment of financial liabilities with equity instruments.

Status and activity reports

- 2.7 The Board noted the Status Report and approved its publication.

3 IASB EXPOSURE DRAFT 'FAIR VALUE MEASUREMENT'

- 3.1 The Board considered the proposals in the IASB's Exposure Draft (ED) 'Fair Value Measurement'.
- 3.2 The Board:
 - a. expressed concern that the proposals should not be used as the basis for extending the use of fair value;
 - b. agreed that the proposals were appropriate for financial instruments that were measured at fair value;
 - c. agreed that for other items, guidance on the most appropriate measurement basis should be provided in individual accounting standards, and further consideration should be given to current values other than exit value for measuring operating assets; the proposals in the ED were not an appropriate interpretation of the term 'fair value' as it appeared in various standards; and
 - d. took the view that the standard should contain overall principles for disclosures supported by more detailed non-mandatory guidance.

- 3.3 The Board:
- a. approved a response to the IASB subject to amendment in the light of the comments made; and
 - b. approved a response to EFRAG's draft comment letter to be sent immediately, with a copy of the letter to the IASB to follow when finalised.
- 4 IASB EXPOSURE DRAFT OF AMENDMENTS TO IAS 19: 'DISCOUNT RATE FOR EMPLOYEE BENEFITS'
- 4.1 The Board considered the proposals in the IASB's Exposure Draft of Amendments to IAS 19 'Discount Rate for Employee Benefits'.
- 4.2 The Board:
- a. took the view that the amendment was unnecessary, as the existing wording in the standard gave some latitude and was supported by disclosures;
 - b. did not object to the IASB proceeding if it wished; and
 - c. approved responses to the IASB and EFRAG's draft comment letter amended in the light of the comments made.
- 5 REPORT INTO THE COLLAPSE OF MG ROVER GROUP
- 5.1 The Board considered the implications for accounting standards of the findings in the report of the independent inspectors 'Report on the affairs of Phoenix Venture Holding Limited, MG Rover Group Limited and 33 other companies' published by the Department for Business, Investment and Skills (BIS).
- 5.2 The Board:
- a. agreed to consider whether changes were needed to the disclosures of related party transactions in FRS 8;
 - b. agreed to review the current guidance on going concern contained in FRS 18;
 - c. noted that many of the issues raised in the report related to the legality of the transactions carried out rather than the adequacy of existing accounting standards and reporting requirements;
 - d. noted that no formal request had yet been received from BIS to consider the issues raised in the report.
- 5.3 The Board commissioned from staff a more detailed analysis and review of the relevant requirements of FRS 8 and FRS 18 for consideration at its meeting on 5 November.

6 REVIEW OF NARRATIVE REPORTING

6.1 The Board considered a draft report setting out the results of a survey of narrative reporting in the annual reports of UK companies.

6.2 The Board:

- a. noted the results of the survey and the methodology used to assess the quality of narrative reporting;
- b. expressed concern that the conclusions on the reporting of corporate social responsibility might be misinterpreted, and that the balance between presenting useful information and avoiding 'clutter' in annual reports needed to be more carefully brought out, noting that companies were currently uncertain about what was actually required in this area;
- c. noted that further improvements were particularly desirable in relation to descriptions of risks and business models;
- d. emphasised the need to avoid focusing entirely on negative aspects, but to look also at positive aspects such as business opportunities and entrepreneurial value creation;
- e. suggested changes to the structure of the report;
- f. considered how the findings of the report could be supplemented by providing leadership on how companies could improve the quality of narrative reporting in future years; and
- g. agreed that the Reporting Statement 'Operating and Financial Review' remained a good basis for drafting this section of the annual report, and was not in need of revision at this stage.

7 IASB/FASB CONCEPTUAL FRAMEWORK PROJECT

7.1 The Board received an update on the progress of the joint IASB/FASB project on the conceptual framework, including details of the discussions at the IASB Board meeting on 15 September.

7.2 The Board:

- a. noted the decisions made by the IASB on the pre-ballot draft of chapters 1 and 3 of the conceptual framework;
- b. noted the discussion of the issues that arose in the ballot stage of chapter on the reporting entity.

7.3 The Board noted the latest report from Paul Sutcliffe on the implications for public benefit entities.

8 APPOINTMENT TO THE COMMITTEE ON ACCOUNTING FOR SMALLER ENTITIES (CASE)

8.1 The Board approved the re-appointment of Liam McQuaid to the Board's Committee on Accounting for Smaller Entities (CASE) for a further term of two years.

9 NEXT MEETING

Thursday 15 October, 9.00 a.m.