



**Minutes of a meeting of the Accounting Standards Board (2010:14)  
held on 16 December 2010 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

Roger Marshall	Chairman
David Loweth	Technical Director
Nick Anderson	
Edward Beale	
Peter Elwin	
Ken Lever	
Robert Overend	
Andy Simmonds	
Pauline Wallace	

IN ATTENDANCE

Michael Kavanagh	IAASA Observer
Andrew Lennard	ASB Research Director
Ian Mackintosh	former ASB Chairman and Vice Chairman elect, IASB
Chris Wobschall	HM Treasury
Simon Peerless	Minutes Secretary

Technical Staff: Jenny Carter, Grant Chatterton, Faye Gordon, Michelle Sansom and Joanna Spencer.

APOLOGIES FOR ABSENCE were received from Marisa Cassoni.

The Chairman welcomed Ian Mackintosh to the meeting.

1 MINUTES AND NOTE OF MEETING

1.1 The minutes of the meeting held on 25 November 2010 (2010:13) were agreed and approved for publication.

2 UPDATE AND REPORTS

2.1 The Board received an update on recent developments relating to the global financial crisis, IASB and further international developments, EFRAG and other European developments, and FRC and ASB developments.

2.2 The Board noted:

- a. the assumption by France of the presidency of the G20;
  - b. the extension of the comment deadline for the International Financial Reporting Standards Foundation's (IFRSF's) consultation on its future strategy;
  - c. the letter sent by the Chairman and the FRC Chief Executive to the Trustees of the IFRSF welcoming this extension but expressing concern that the level of consultations at present and the immediacy of the deadline the IASB was working to was such as to put the quality of the resulting standards at risk;
  - d. the latest progress report of the IASB and FASB on their 'Commitment to Convergence of Accounting Standards and a Single Set of High Quality Global Accounting Standards';
  - e. the recent and forthcoming publications of the IASB, particularly in relation to hedge accounting and impairment of financial assets;
  - f. a report of the meeting between the chairman of the IFRSF Trustees and European stakeholders on 30 November;
  - g. a report of the meeting of EFRAG's Technical Experts Group on 8-10 December;
  - h. a report of the Accounting Regulatory Committee meeting on 10 December;
  - i. the minutes of the Urgent Issues Task Force meeting on 1 December; and
  - j. an invitation from the House of Lords Economic Affairs Committee to the Chairman to give evidence to the Committee.
- 2.3 The Board discussed the questions that the Economic Affairs Committee might put to the Chairman and advised him on the evidence he might give.
- 2.4 The Board noted the status report and approved its publication.

### 3 LEASES

- 3.1 The Board continued its discussion of the IASB's exposure draft 'Leases' and considered the response to be made to the IASB on the exposure draft.
- 3.2 The Board expressed the view that:
- a. for contracts with both lease and service components, both the lessee and the lessor should account for the lease and service components separately, although there may be practical difficulties in doing this in some cases, together with disclosure of the lessee's commitment under the service element;

- b. all conditional payments arising under a lease that were unavoidable for the lessee should be included in the measurement of the lessee's lease obligation and lessor's lease asset;
  - c. the lessor should record the residual value of the leased asset at the start of the lease term at the undiscounted future amount of its estimated value at the end of the lease term, and that no accretion of discount would therefore be made;
  - d. the proposal in the exposure draft for an exception for investment properties measured at fair value should be supported; and
  - e. the IASB should be encouraged to consider at greater length whether the proposals represent a sufficient improvement over existing practice to justify the costs of applying a new standard, and whether improved disclosures would be a better way of providing users with the information they needed.
- 3.3 The Board approved a response to the IASB incorporating these views together with the views expressed in its previous discussion on the exposure draft.
- 4 UITF ABSTRACT 48
- 4.1 The Board considered the draft UITF Abstract 48 'Accounting Implications of the Replacement of the Retail Prices Index with the Consumer Prices Index'.
- 4.2 The Board:
- a. suggested a clarification in the drafting of the Abstract; and
  - b. subject to that amendment, approved the Abstract for issue.
- 5 COUNTRY-BY-COUNTRY REPORTING BY MULTINATIONAL COMPANIES
- 5.1 The Board considered the questionnaire form the European Commission seeking comments on proposals for country-by-country reporting by multinational companies.
- 5.2 The Board expressed the view that:
- a. the objective of the proposals was understood, but that including this information on annual financial statements was not the best way of achieving that objective;
  - b. it was important to reduce the complexity of annual financial statements, in line with the wider debate in the UK on the content of annual reports; and
  - c. an alternative approach might be to require disclosure of this information on multinationals' websites.

5.3 The Board agreed a response to the Commission expressing these views.

## 6 CONSIDERING THE EFFECTS OF ACCOUNTING STANDARDS

6.1 The Board considered a draft discussion paper 'Considering the Effects of Accounting Standards'.

6.2 The Board approved the draft for publication.

## 7 PUBLIC BENEFIT ENTITIES

7.1 The Board continued its consideration of an exposure draft of proposed standard on financial reporting by Public Benefit Entities (PBEs).

7.2 The Board:

- a. agreed that changes in valuation of heritage assets held by a PBE should be recognised in other comprehensive income and not in profit and loss;
- b. agreed that property held by a PBE for the provision of social benefits should be classified as property, plant and equipment and not as investment property;
- c. agreed that further consideration should be given to the definition of a merger between two PBEs;
- d. agreed not to provide further explanation of the application of the meaning of control for determining whether one PBE was a subsidiary of another, but to ask for comments on this issue in the exposure draft;
- e. agreed that concessionary loans should be accounted for at face value or transaction amount, with disclosure of the value of the concessionary interest terms.

7.3 The Board agreed to continue consideration of the exposure draft at a future meeting.

## 8 FUTURE OF UK FINANCIAL REPORTING STANDARDS

8.1 The Board received an update on the consultation on the future of UK financial reporting, following the issue of its exposure draft in October 2010.

8.2 The Board:

- a. noted the intention of staff to develop educational material including case studies, to be published on its website;
- b. noted the progress made on the proposed outreach activities; and
- c. received a report on the major issues arising from the public meetings and other consultation to date.

9 FINANCIAL REPORTING ADVISORY BOARD

9.1 The Board considered the response to be made to the Financial Reporting Advisory Board (FRAB) Review Group to its consultation document issued in October 2010.

9.2 The Board expressed the view that:

- a. the larger the FRAB became the more unwieldy its decision-making process would be; and
- b. the balance of membership of FRAB should be changed to include a greater representation from independent members not representing stakeholders.

9.3 The Board approved a response to FRAB incorporating these views.

10 REAPPOINTMENTS TO CAPE AND UITF

10.1 The Board approved:

- a. the reappointment of Michael Hathorn and Stephen Warren to the Board's Committee on Accounting for Public Benefit Entities for further terms ending 31 December 2012; and
- b. the reappointment of Una Curtis and Kathryn Cearns to the Urgent Issues Task Force for further terms ending on 31 December 2012.

10.2 The Board approved the appointment of nine new members to the RSL SORP Working Party, replacing four that were standing down, but expressed concern that the size of this working party might prevent effective working and it should review its ability to operate effectively with this number of members.

11 REPORTS OF MEETINGS OF THE IASB

11.1 The Board noted the 'Update' report of the November meetings of the IASB, much of which held in joint session with the FASB.

12 OTHER BUSINESS

On behalf of the Board, the Chairman thanked Ian Mackintosh for his work at the Board.

13 NEXT MEETING

Thursday 20 January 2011, 9.00 a.m.