



**Minutes of a meeting of the Accounting Standards Board (2010:10)
held on 23 September 2010 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

Ian Mackintosh	Chairman
David Loweth	Technical Director
Nick Anderson	
Edward Beale	
Peter Elwin	
Ken Lever	(by telephone)
Robert Overend	
Andy Simmonds	
Pauline Wallace	

IN ATTENDANCE

Stephen Haddrill	FRC Chief Executive (for item 3)
Michael Kavanagh	IAASA Observer
Andrew Lennard	ASB Research Director
Alison Ring	HMRC
David Tyrrall	BIS
Simon Peerless	Minutes Secretary

Technical Staff: Jenny Carter, Grant Chatterton, Jennifer Guest, Janice Lingwood, Seema Jamil-O'Neill, Michelle Sansom.

APOLOGIES FOR ABSENCE were received from Marisa Cassoni. Ken Lever participated by telephone.

1 MINUTES AND NOTE OF MEETING

- 1.1 The minutes of the meeting held on 2 September 2010 (2010:09) were agreed, subject to one minor amendment, and approved for publication.

2 UPDATE AND REPORTS

- 2.1 The Board received an update on recent developments, including:
- a. the FSA's feedback statement on its November 2009 Discussion Paper DP09/5 on enhancing financial reporting disclosures by UK credit institutions, and its adoption of the code of practice approach (using

the British Bankers' Association, BBA, Code) rather than a mandatory template approach;

- b. recent and forthcoming publications of the IASB, including the expected chapter of the revised conceptual framework on objectives and qualitative characteristics of financial reporting;
- c. the World Standard Setters meeting on 20-21 September;
- d. the National Standard Setters meeting on 18-19 September;
- e. the EFRAG TEG meeting held on 22 September, which had discussed the EFRAG response to the FASB exposure draft on financial instruments; and
- f. the forthcoming FRC Board meeting in Brussels on 5 October.

2.2 The Board noted the Status Report and approved its publication.

3 FUTURE OF UK GAAP

3.1 The Board resumed its discussions on the future of UK GAAP.

3.2 The Board considered a number of issues that had arisen in finalising the draft Financial Reporting Exposure Draft (FRED);

3.3 The Board agreed:

- a. not to permit the reduced disclosure framework to apply to a subsidiary's own consolidated accounts where section 399 of the Companies Act required the subsidiary to prepare group accounts;
- b. to clarify that amortisation of goodwill was necessary to meet the requirements of the Companies Act and Accounting Directives unless a true and fair override was applied;
- c. to amend the draft FRED to ensure compliance with the offset rules in the Companies Act.

3.4 The Board considered the preface, invitation to comment and impact assessment in the draft FRED.

3.5 The Board noted concerns that:

- a. the proposals were far-reaching and might impose unnecessary burdens on UK businesses; and
- b. that although respondents to the Board's earlier consultation and outreach exercises had been largely in favour of the proposals, there were important sections of the Board's constituency who had not yet been heard.

3.6 The Board agreed:

- a. to amend the preface of the FRED to emphasise that in presenting the proposals in the FRED the Board had not closed its mind to alternative approaches;
 - b. that the questions in the invitation comment should be balanced and not imply that the Board was not open to alternatives;
 - c. that it was inappropriate at this stage of the project to develop alternative proposals and that the impact assessment should not be extended to include detailed analysis of alternatives;
 - d. to continue its outreach activities to ensure that the views of as many sections of the constituency as possible were involved in the consultation.
- 3.7 The Board reviewed the remaining sections of the draft FRED.
- 3.8 The Board:
- a. noted a number of minor drafting points:
 - b. noted the process and timetable for the completion of the draft and the approval and publication of the FRED.
- 4 FASB EXPOSURE DRAFT 'ACCOUNTING FOR FINANCIAL INSTRUMENTS AND REVISIONS TO THE ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES'
- 4.1 The Board considered its response to the FASB exposure draft 'Accounting for Financial Instruments and Revisions to the Accounting for Hedging Activities'.
- 4.2 The Board noted the EFRAG draft comment letter on this exposure draft and the staff response that had been sent to EFRAG.
- 4.3 The Board:
- a. expressed concern over the divergence between FASB and IASB on financial instruments standards, and the lack of progress in discussions between the two Boards in this area;
 - b. supported the IASB approach in the key areas where the two Boards were in disagreement.
- 4.4 The Board approved a response to the FASB setting out these views..
- 5 IMPROVEMENTS TO FINANCIAL REPORTING STANDARDS 2010
- 5.1 The Board considered a draft Financial Reporting Standard 'Improvements to Financial Reporting Standards 2010'.
- 5.2 The Board received a summary of the comments received in response to the FRED issued in June 2010;

- 5.3 The Board:
- a. noted that respondents supported the proposed amendments in the FRED but had suggested additional related amendments;
 - b. agreed a further amendment to the definition of key management personnel in FRS 29
 - c. agreed further amendments relating to the definition of related parties in FRS 8;
 - d. agreed to extend the proposed exemption in SSAP 25 for subsidiaries whose parent's group accounts are in accordance with EU-adopted IFRS to include those whose parent's group accounts are in accordance with full IFRS;
 - e. agreed that these further amendments did not require re-exposure; and
 - f. concluded that the benefits of the amendments in the draft FRS exceeded the costs.
- 5.4 The Board approved the FRS for issue.
- 6 IASB EXPOSURE DRAFT 'REVENUE FROM CONTRACTS WITH CUSTOMERS'
- 6.1 The Board gave initial consideration to the proposals set out in the IASB exposure draft 'Revenue from Contracts with Customers'.
- 6.2 The Board considered its response to EFRAG's draft comment letter on these proposals.
- 6.3 The Board:
- a. supported the attempt to develop a single basis approach to revenue recognition, but that there was need for further clarification and refinement of the proposals;
 - b. was not convinced that this was an issue on which a change to existing IFRS needed to be prioritised;
 - c. did not agree with the basic activities model previously proposed by EFRAG;
 - d. sought further information on the hybrid model that EFRAG was now proposing that incorporated a concept of 'right to consideration'; and
 - e. agreed in other respects with the points made in the EFRAG draft comment letter.
- 6.4 The Board asked staff to draft a response letter to EFRAG incorporating these views.
- 7 BIS CONSULTATION PAPER 'THE FUTURE OF NARRATIVE REPORTING'

7.1 The Board considered the BIS consultation document 'The Future of Narrative Reporting'.

7.2 The Board agreed:

- a. that the purpose of the annual report should be communicating with shareholders and it should not be used as a vehicle for information, however important, that not relevant to them;
- b. that there was a need to review the annual report as a whole, and avoiding short-term political changes;
- c. that there were opportunities for improving narrative reporting;
- d. that the intention of disclosure of the business model needed further clarification; and
- e. that the remuneration report contained confusing detail and was not focused on showing the total remuneration package of each director individually;
- f. that there was a role for encouraging good narrative reporting by drawing attention to best practice, possibly by an annual review process naming the best examples.

7.3 The Board asked for these views to be incorporated into the FRC response to BIS.

8 REPORTS OF MEETINGS OF THE IASB AND OF EFRAG'S TECHNICAL EXPERTS GROUP (TEG)

8.1 The Board noted the 'Update' reports of:

- a. the 24 August meeting of the IASB; and
- b. the 23 July conference call and September meeting of EFRAG's Technical Experts Group (TEG).

9 NEXT MEETING

Tuesday 12 October, 9.00 a.m.