

ACCOUNTING STANDARDS BOARD

Minutes of a meeting of the Accounting Standards Board (2009:01) held on 15 January 2009 at Aldwych House, 71-91 Aldwych, London, WC2

PRESENT

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

IN ATTENDANCE

Ian Wright	Director of Corporate Reporting, FRC
Andrew Lennard	ASB Director of Research
David Tyrrall	BERR
Larry Pinkney	HM Treasury
Robert Inglis	Project Director, Board for Actuarial Standards (BAS)
Simon Peerless	Secretary
Roger Nicklen	Minutes Secretary

Technical Staff: Michelle Crisp, Melanie Kerr, Alan O'Connor and Seema Jamil O'Neill.

APOLOGIES FOR ABSENCE were received from Marisa Cassoni.

The Chairman welcomed Robert Inglis who was attending for an education session on actuaries' estimation of future cash flows in the measurement of pension liabilities.

1 MINUTES OF MEETING

The minutes of the meeting held on 18 December 2008 (2008:15) were agreed and approved for publication.

2 CHAIRMAN'S UPDATE AND REPORTS

2.1 The Board received an update on current activities.

2.2 The Board noted publication of:

- a. an IASB Exposure Draft (ED) of a proposed International Financial Reporting Standard (IFRS) 'Consolidated Financial Statements';
- b. IASB EDs setting out proposals to (i) clarify the accounting treatment for embedded derivatives and (ii) require entities to provide additional disclosures on all investments in debt instruments, other than those classified in the fair value through profit or loss category;
- c. an update on the steps the IASB was taking in response to the global financial crisis;
- d. the US Securities and Exchange Commission (SEC) study on mark-to-market accounting standards; and
- e. the Committee of European Securities Regulators (CESR) statement on reclassifications.

2.3 The Board also noted:

- a. the forthcoming first meeting of the Financial Crisis Advisory Group; and
- b. the forthcoming visit to the United States by the chairs of the UK, French and German accounting standard-setters and of the European Financial Reporting Advisory Group (EFRAG) for discussions with the Financial Accounting Standards Board (FASB), the American Institute of Certified Public Accountants (AICPA), the World Bank, the US Treasury and the SEC primarily on United States adoption of IFRS.

2.4 The Board approved the Status report for publication.

3 ACTUARIES' ESTIMATION OF EXPECTED FUTURE CASH FLOWS IN THE MEASUREMENT OF LIABILITIES TO PAY PENSIONS BENEFITS

3.1 The Board received a presentation on actuaries' estimation of expected future cash flows used in the measurement of liabilities to pay pensions benefits, covering the terminology used by actuaries, illustrations of the calculations used and the treatment of risk, and discussed a number of issues relating to the differences between valuations for accounting and funding purposes.

4 PROPOSED AMENDMENTS TO FINANCIAL INSTRUMENTS STANDARDS RELATING TO DISCLOSURE REQUIREMENTS ON EMBEDDED DERIVATIVES AND IMPAIRMENTS

4.1 The Board considered two IASB Exposure Drafts (EDs) ('Embedded Derivatives: Proposed Amendments to IFRIC 9 and IAS 39' and 'Investments in

Debt Instruments: Proposed Amendments to IFRS 7) and the related EFRAG draft comment letters.

- 4.2 The Board approved generally supportive responses to the IASB and to EFRAG on the embedded derivatives proposals.
- 4.3 The Board questioned the justification for the debt instrument proposals and approved responses to the IASB and EFRAG which challenged the case for a truncated consultation period and questioned the extent of user support for the proposals.
- 4.4 The Board took the view that the proposed amendments on embedded derivatives would not alter the effect of the converged UK standards FRS 26 (IAS 39) 'Financial Instruments: Recognition and Measurement' and UITF Abstract 42 (IFRIC 9) 'Reassessment of Embedded Derivatives' but that parallel amendments to those standards should be exposed once the IASB proposals had been finalised and that an announcement should be made to that effect.
- 4.5 The Board decided not to expose for comment parallel amendments to UK standards in relation to the IASB's debt instrument proposals.

5 IASB EXPOSURE DRAFT 'CONSOLIDATED FINANCIAL STATEMENTS'

- 5.1 The Board gave preliminary consideration to the IASB's ED 10 'Consolidated Financial Statements'.
- 5.2 The Board made a number of observations to be taken into account in the development of the IASB comment letter and EFRAG response (on which ASB staff were in the lead).

6 PROPOSED FRC RESPONSE TO THE SEC'S PROPOSED RULE 'ROADMAP FOR THE POTENTIAL USE OF FINANCIAL STATEMENT PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS BY US ISSUERS

- 6.1 The Board considered a draft FRC response to the SEC's consultation on its Proposed Rule 'Roadmap for the Potential Use of Financial Statements prepared in accordance with International Financial Reporting Standards by US Issuers'.
- 6.2 The Board made a number of comments on the draft, welcoming the proposals but questioning whether there was anything to be gained from criticising detailed aspects.

- 7 IMPLICATIONS FOR UK GAAP OF IFRIC 17 'DISTRIBUTIONS OF NON-CASH ASSETS TO OWNERS'
 - 7.1 The Board considered whether IFRIC 17 'Distributions of Non-cash assets to Owners' affected UK practice of not recognising interim dividends until they are paid.
 - 7.2 The Board concluded that, as a matter of law, interim dividends once declared remained at the discretion of the company and so were not a liability of the company until paid, regardless of the provisions of IFRIC 17, and the Board agreed that the issue should be referred to the Urgent Issues Task Force for promulgation of a view.
 - 7.3 The Board noted that the amendment to IAS 10 'Events After the Balance Sheet Date' consequent on IFRIC 17 would also need to be made to FRS 21 (which was converged with IAS 10) and agreed that this should be done as part of the annual improvements process.

- 8 IASB DISCUSSION PAPER 'PRELIMINARY VIEWS ON FINANCIAL STATEMENT PRESENTATION'
 - 8.1 The Board gave preliminary consideration to the IASB Discussion Paper (DP) 'Preliminary Views on Financial Statement Presentation'.
 - 8.2 The Board made a number of comments to be taken into account in the development of its response to the IASB and agreed to consider the DP further at a future meeting.

- 9 RESPONSES TO FINANCIAL REPORTING EXPOSURE DRAFT (FRED) 42 'HERITAGE ASSETS'
 - 9.1 The Board considered an overview of responses to Financial Reporting Exposure Draft (FRED) 42 'Heritage Assets'.
 - 9.2 The Board noted that a majority of respondents had expressed opposition to proceeding on the basis of the proposals in FRED 42 but that there was continued support for the enhanced disclosure proposals.
 - 9.3 The Board agreed to proceed with the development of a disclosure standard based on the proposals in FRED 42 and commissioned preparation of a draft, including a basis for conclusions that provides a very clear statement of the reasons for proceeding on this basis.

- 10 ASSOCIATION OF INVESTMENT COMPANIES (AIC) STATEMENT OF RECOMMENDED PRACTICE (SORP) 'FINANCIAL STATEMENTS OF INVESTMENT TRUST COMPANIES AND VENTURE CAPITAL TRUSTS'
 - 10.1 The Board considered its Statement of Assurance on the Association of Investment Companies (AIC) Statement of Recommended Practice (SORP)

'Financial Statements of Investment Trust Companies and Venture Capital Trusts'.

10.2 The Board approved its Statement on the AIC SORP incorporating a disclaimer in relation to the allocation of costs and returns between capital and revenue.

11 REPORT OF THE DECEMBER MEETING OF THE IASB

11.1 The Board noted the report of the December meeting of the IASB.

12 NEXT MEETING

Thursday 5 February, 9.00 a.m.