



ACCOUNTING STANDARDS BOARD

**Minutes of a meeting of the Accounting Standards Board (2007:11)  
held on 13 September 2007 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

Ian Mackintosh	Director
David Loweth	Technical Director
Nick Anderson	
Mike Ashley	
Edward Beale	
Peter Elwin	
Andy Simmonds	
Geoffrey Whittington	

IN ATTENDANCE

Michael Kavanagh	IAASA Observer
Andrew Lennard	Director of Research
Simon Peerless	Secretary
David Tyrrall	BERR
David Watkins	HM Treasury
Roger Nicklen	Minutes Secretary

Technical Staff: Michelle Crisp (MDC), Peter Godsall and Hans Nailor.

APOLOGIES FOR ABSENCE were received from Marisa Cassoni, Robert Overend and Helen Weir.

1 NOTE OF MEETING

The minutes of the meeting held on 19 July 2007 (2007:10) were agreed and approved for publication.

2 CHAIRMAN'S UPDATE AND REPORTS

2.1 The Board noted the US Securities and Exchange Commission (SEC) had proposed allowing US companies to prepare financial statements using IFRS (in addition to its proposals to allow foreign issuers' financial statements prepared in accordance with International Financial Reporting Standards (IFRS) to be filed without reconciliation to US GAAP). While noting that the European Commission intended to ask the SEC to also accept EU adopted IFRS without reconciliation to US GAAP, the Board indicated its support for the SEC's proposals.

2.2 The Board noted publication by the IASB of:

- a. An amendment to IAS 1 'Presentation of Financial Statements', allowing presentation of non-owner changes in equity in one statement or two, which, as it was similar to the provisions of FRS 3 'Reporting Financial Performance', would not at this stage result in any amendment to UK standards.
- b. An Exposure Draft (ED) of proposed amendments to IAS 39 'Financial Instruments: Recognition and Measurement' relating to hedge accounting, which would be brought to a future meeting of the Board for consideration of parallel amendments to FRS 26 'Financial Instruments: Measurement'.
- c. An ED of amendments to IAS 31 'Financial Reporting of Interests in Joint Ventures' taking out the option of 'proportionate consolidation', which would be brought for consideration to a future meeting of the Board.

2.3 The Board noted that the IASB had signed an agreement with Japan on convergence between IFRS and Japanese GAAP and that the Council of the Institute of Chartered Accountants of India had announced a decision to converge with IFRS from April 2011.

2.4 The Board noted that the IASB would, at its next meeting, be considering a revised objective of financial reporting as part of the IASB/FASB Conceptual Framework project. The Board acknowledged that the revised objective was an improvement in terms of its recognition of stewardship but expressed concern that there was no specific recognition of investors as owners and that it could still be read as meaning that only future cash flows mattered.

2.5 The Board noted the publication of the European Commission's assessment of IFRS 8 'Operating Segments', which had concluded that IFRS 8 would improve financial reporting, would not be costly to apply and should be adopted by the EU.

2.6 The Board noted that advice had been sought from the Department for Business, Enterprise and Regulatory Reform (BERR) that use of FRS 25 'Financial Instruments: Disclosure and Presentation' and FRS 26 'Financial Instruments: Measurement' (and by extension FRS 20 'Share-based Payment' and FRS 23 'The Effects of Changes in Foreign Exchange Rates') would satisfy the Regulations implementing Directive 2006/46/EC amending the Accounting Directives and that further advice from the European Commission was awaited to clarify whether the requirement to disclose related party transactions not concluded under normal market conditions was additional to the requirement in IAS 24 'Related Party Disclosures' to disclose all related party transactions.

2.7 The Status Report was approved for publication on the website.

3 ACCOUNTING FOR SMALL AND MEDIUM SIZED ENTITIES (SMEs) – IASB EXPOSURE DRAFT OF AN IFRS FOR SMEs AND EUROPEAN COMMISSION PROPOSALS ON SME ACCOUNTING

3.1 The Board considered the responses to its consultation paper on the IASB's Exposure Draft (ED) of an IFRS Small and Medium-sized Entities (IFRS for SMEs) and noted that the majority of responses had in general welcomed the ED and had considered it to be a suitable replacement for UK GAAP for middle-tier entities but not for micro entities. The Board also discussed further the implications for the UK's convergence programme with IFRS.

3.2 The Board considered a draft response to the IASB on the ED, commissioned a number of amendments and agreed that the final draft should be submitted for approval outside the meeting.

3.3 The Board noted the proposals in the European Commission consultation on simplification of accounting requirements for smaller entities and in particular the proposal to exempt micro entities from the requirements of the 4<sup>th</sup> and 7<sup>th</sup> Company Law Directives.

#### 4 DRAFT DISCUSSION PAPER: ACCOUNTING FOR PENSIONS

4.1 The Board considered further drafts of two chapters of the proposed Pensions Discussion Paper: (1) introduction; and (2) liabilities to pay benefits.

4.2 The Board indicated that it was content with the changes made to the introduction, noted the need to avoid creating the impression that the project had been constrained by the existing framework and standards and noted the need to include (in this chapter or in a preface) an account of the process by which the discussion paper had been produced.

4.3 The Board discussed a number of issues arising from the chapter on liabilities to pay benefits including:

- a. determining when there is a liability for benefits that have not vested;
- b. the significance of pinning recognition to obligations that could not be realistically avoided;
- c. the implications of using the individual or the workforce as the unit of account;
- d. recognition of liabilities for benefits that are contingent on the employer's financial position or the plan's funding position;
- e. a proposal that, in the absence of a legal or constructive obligation to increase future pensionable salaries, it should not be assumed that they would be increased in line with inflation; and
- f. the usefulness, whichever method for taking future salary increases into account was chosen, of disclosing the figures using the other method.

4.4 The Board also noted a paper on attributing benefits to periods of service for eventual incorporation into the chapter on liabilities to pay benefits.

5 FRC PROJECT ON IMPROVING THE COST-EFFECTIVENESS OF REGULATION

5.1 The Board considered a paper setting out the constraints on and opportunities for the ASB to make an input into an FRC-wide review of the cost effectiveness of its regulation (that was looking at the opportunities for removing requirements, simplifying requirements, restricting the application of requirements to a narrower range of entities and to make it easier or less costly for regulated entities to comply with the requirements).

5.2 The Board endorsed the conclusions of the paper in relation to the ASB's continuing policy of taking cost-effectiveness considerations into account, as demonstrated by the development of the Financial Reporting Standard for Smaller Entities (FRSSE), noted the constraints on its scope for action imposed by international developments and legislative requirements and agreed that a main role for the Board in future was to continue to influence the development of IFRS in a way that took cost effectiveness considerations into account.

6 BOARD ACTION IN RELATION TO THE IASB's ANNUAL IMPROVEMENTS PROGRAMME

6.1 The Board considered how it should handle the results of the IASB's Annual Improvements Programme.

6.2 The Board decided that:

- a. all proposed improvements should be evaluated and, where inconsistencies with UK standards were identified, consideration should then be given to amending the relevant FRS;
- b. proposed improvements to IFRSs that had been adopted in the UK should be proposed as amendments to the equivalent UK standards;
- c. consideration would need to be given to whether amendments to UK standards should be proposed in relation to proposed amendments to IFRS affecting UK standards that had been amended to converge with IFRS;
- d. it should proceed initially by way of a draft comment letter to be published on its website and then publish a FRED of proposed amendments to UK standards once the IFRS had finalised its changes to IFRS; and
- e. other minor improvements to UK standards should be considered alongside any amendments consequent on the IFRS improvement proposals.

7 ACCOUNTING FOR LEASES: PROGRESS REPORT

The Board noted a paper summarising progress on the IASB/FASB project on accounting for leases.

8 APPOINTMENTS AND REAPPOINTMENTS

8.1 The Board approved the appointment of Veronica Poole to the Urgent Issues Task Force (UITF) for a two-year term until 30 September 2009.

8.2 The Board approved the re-appointment of John Coombs and Kenneth McDowell to the Committee on Accounting for Smaller Entities (CASE) for further two-year terms to 30 September 2009.

9 EFRAG AND IASB UPDATES

The Board noted the reports of the July meetings of EFRAG's Technical Experts Group and of the International Accounting Standards Board.

10 NEXT MEETING

Thursday 4 October, at 9.00 a.m.