



## ACCOUNTING STANDARDS BOARD

### **Minutes of a meeting of the Accounting Standards Board (2007:03) held on 1 March 2007 at Aldwych House, 71-91 Aldwych, London, WC2**

#### PRESENT

Ian Mackintosh	Director
David Loweth	Technical Director and Secretary
Mike Ashley	
Robert Overend	
Peter Westlake	

#### IN ATTENDANCE

Bob Garnett	IASB Observer
Michael Kavanagh	IAASA Observer (for Items 1-9)
Andrew Lennard	Director of Research, ASB (for items 3-11)
David Tyrrall	DTI
David Watkins	HM Treasury
Roger Nicklen	Minutes Secretary

Technical Staff: Michelle Crisp (MDC), Peter Godsall, Jennifer Guest, Seema Jamil-O'Neill, Hans Nailor and Alan O'Connor.

APOLOGIES FOR ABSENCE were received from Peter Elwin and Roger Marshall (both of whom had submitted written comments) and from Marisa Cassoni, Helen Weir and Geoffrey Whittington.

#### 1 MINUTES OF MEETING

The minutes of the meetings held on 18 January (2007:01) and 8 February (2007:02) were agreed (subject in the latter case to making clear that adverse weather conditions had contributed to the meeting not being quorate) and approved for publication.

#### 2 CHAIRMAN'S UPDATE AND REPORTS

2.1 The Board considered a draft of a proposed Financial Reporting Council (FRC) statement on 'true and fair' and raised a number of fundamental objections to the approach taken.

2.2 The Board was informed that the FRC's review of the lessons to be learned from the Mayflower case would include an examination of the adequacy of disclosure requirements in accounting standards in relation to 'going concern'.

2.3 The Board noted an extract from the FRC Risk Register relating to Strategic Outcome 2 in the Strategic Framework.

2.4 The Board noted the forthcoming meeting of National Standard-Setters (NSS) to be held in Hong Kong on 24 & 25 March.

2.5 The Board noted the activity and status reports and approved the latter for publication on the website.

### 3 FAIR VALUE

The Board further considered its response to the IASB on its Discussion Paper 'Fair Value Measurements', suggested a number of amendments and approved publication on the ASB website as a draft for comment.

### 4 IASB EXPOSURE DRAFT OF AN IFRS FOR SMALL AND MEDIUM-SIZED ENTITIES

The Board considered a draft Consultation Paper on the Exposure Draft (ED) of the International Accounting Standards Board's International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS SME) and commissioned further work aimed at providing a clearer comparison of UK GAAP with the ED and of the ASB's Financial Reporting Standard for Smaller Entities (FRSSE) with the ED, a clearer distinction between GAAP differences and other differences, a clearer indication of the Board's preliminary views on how an IFRS SME might be used in the UK and to distinguish commentary relevant to the response to the IASB from that relating to use of the ED in the UK.

### 5 IFRIC 12 'SERVICE CONCESSION ARRANGEMENTS'

The Board considered EFRAG's draft endorsement advice on International Financial Reporting Interpretations Committee 12 (IFRIC 12) 'Service Concessions' and approved a response supporting endorsement.

### 6 PENSIONS

6.1 The Board discussed drafts of discussion summaries representing work in progress on the pensions project in relation to:

- The measurement of assets
- The measurement of liabilities
- Reporting changes in assets and liabilities arising from retirement benefits
- Consolidation of retirement benefit funds in employer financial statements and
- Financial reporting by pension funds

6.2 The Board noted that the discussion summaries would be updated in the light of the views of Board members and of the Pensions Advisory Panel and the European Financial Reporting Advisory Group (EFRAG) Pensions Working Group and agreed that they should then be published on the ASB website.

## 7 AMENDMENTS TO IFRS 1 'FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS'

7.1 The Board considered how it should respond to the IASB's proposed amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' in relation to the cost of investment in a subsidiary and to EFRAG's draft comment letter.

7.2 The Board:

- noted that the amendments did not address the issue of dividend distributions out of pre-acquisition reserves, which might require an amendment to IAS 27 'Consolidated and separate financial statements'.
- took the view that the proposed amendments were likely to deal satisfactorily with the problems of measuring the costs of a subsidiary in the separate financial accounts of a parent on first time adoption of IFRS,
- raised some unresolved questions about the treatment of goodwill.

7.3 The Board deferred a decision on its responses to the IASB and EFRAG pending further input on the views of key constituents.

## 8 AMENDMENT TO FRS 3 'REPORTING FINANCIAL PERFORMANCE'

The Board further considered a limited amendment to the scope of FRS 3 'Reporting Financial Performance' for entities within the scope of FRS 26 'Financial Instruments: Measurement' and FRS 23 'The Effects of Changes in Foreign Exchange Rates' and approved an Exposure Draft for publication with a consultation period ending on 20 April.

## 9 IASB/FASB CONCEPTUAL FRAMEWORK PROJECT

The Board noted a progress report on the IASB/FASB Conceptual Framework project, together with the observer notes from the IASB 20 February Board meeting, and the EFRAG Pro-active Accounting Activities in Europe (PAAinE) Discussion Paper 'Starting from the right place?' and approved a response to the PAAinE paper.

## 10 IPSASB EXPOSURE DRAFTS ON EMPLOYEE BENEFITS AND ON IMPAIRMENT OF CASH GENERATING ASSETS

10.1 The Board considered Exposure Drafts (ED) of two International Public Sector Accounting Standards Board (IPSASB) standards: 'Employee Benefits' and 'Impairment of Cash-Generating Assets'.

10.2 On Employee Benefits the Board discussed IPSASB's choice of a government bond discount rate, considered a proposed response and commissioned further work to make clearer that while there was no conceptual basis for favouring use of the

corporate bond rate it should be used by the public sector for reasons of comparability with the private sector

10.3 On Impairment of Cash-Generating Assets the Board discussed IPSASB's proposal to exclude revalued assets on the grounds that impairment testing should not be necessary as such assets were periodically revalued and would be onerous. The Board approved a response reiterating its view that revaluation did not negate the need for impairment testing.

## 11 NEXT MEETING

Thursday 29 March, 9.00 a.m.