

ACCOUNTING STANDARDS BOARD

**Minutes of a meeting of the Accounting Standards Board (2009:08)  
held on 15 July 2009 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

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

IN ATTENDANCE

Jens Berger	IASB (for Item 5)
Peter Clarke	IASB (for Item 5)
Michael Kavanagh	IAASA
Michael Kraehnke	IASB (for Item 5)
Andrew Lennard	ASB Research Director
David Tyrrell	BIS
Chris Wobschall	HM Treasury
Ian Wright	FRC Director of Corporate Reporting (for Items 3-6)
Peter Godsall	Secretary
Roger Nicklen	Minutes Secretary

Technical Staff: Mario Abela, Seema Jamil O'Neill, Deepa Raval and Michelle Sansom.

APOLOGIES FOR ABSENCE were received from Ken Lever.

1 MINUTES AND NOTE OF MEETING

The minutes of the meeting held on 18 June 2009 (2009:07) were agreed, subject to correcting the omission of Sir John Sunderland from the list of those in attendance for Item 1, and approved for publication.

## 2 CHAIRMAN'S UPDATE AND REPORTS

2.1 The Board received an update on current events, including information on:

- a. discussion of the financial crisis and the IASB work programme at a meeting between the International Accounting Standards Committee Foundation (IASCF) Trustees and the Monitoring Board (MB) on 6<sup>th</sup> July and the Trustees' meeting on 7<sup>th</sup> July,
- b. conclusions of the ECOFIN meeting held on 7 July, and
- c. the recently published HM Treasury White Paper 'Reforming Financial Markets'.

2.2 The Board also discussed:

- a. the approach being taken to concerns that the IFRS for SMEs might be read as being inconsistent with the Accounting Directives,
- b. the concerns of the financial sector that the IASB may not be able to address impairment of available for sale securities in time for December 2009 year ends and about how through the cycle provisioning might be presented, and
- c. the latest IASB position on insurance.

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

## 3 IASB EXPOSURE DRAFT 'DERECOGNITION'

3.1 The Board considered the proposals in the IASB's Exposure Draft (ED) 'Derecognition' and their likely consequences.

3.2 The Board:

- a. expressed reservations about whether either the main proposal or the alternative in the ED would be an improvement on the current model,
- b. expressed concern about the elimination of risks and rewards and the extent to which the proposal was rules-based with recognition criteria dictating presentation,
- c. took the view that the proposals would not meet the concerns about risks and rewards expressed by regulators and would result in balance sheets that were informationally less rich than users required.

3.3 The Board:

- a. approved a response to the IASB subject to amendment in the light of the comments made,
- b. noted the staff response to EFRAG's draft comment letter, and
- c. agreed that it would be sufficient to supplement the staff response by conveying the Board's views orally to EFRAG at its meeting on 17 July.

#### 4 FUTURE OF UK GAAP

4.1 The Board resumed its consideration of the future of UK GAAP and reviewed a revised draft policy proposal incorporating an alternative to its preference for basing UK GAAP on public accountability based primarily on size, inserted at the request of the Department for Business, Innovation and Skills (BIS)

4.2 The Board:

- a. reaffirmed its preference for basing UK GAAP on public accountability and agreed to go forward with a consultation on the choice between a model based primarily on public accountability and a model based primarily on size,
- b. noted that there could be more than one method of implementing whichever model was favoured, and
- c. agreed that the method of implementation would need to be the subject of further consultation.

4.3 The Board approved publication of the policy proposal (with 2012 as the target for implementation and a deadline for responses of 1 February 2010), subject to account being taken of the comments made and consultation with Board members on a tracked changes version of the amended document outside the meeting.

#### 5 IASB PROJECT TO REPLACE IAS 39 'FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT'

5.1 SJO introduced paper 5, explaining that the IASB had now published its exposure draft development of which had been set out in paper 5B.

*'Financial Instruments Recognition and Measurement': Replacement of IAS 39 – Project Update*

5.2 The Board received an oral presentation giving an overview of the IASB's project to replace IAS 39: Financial Instruments: Recognition and Measurement' and discussed a number of issues arising from the presentation.

5.3 The Board considered the IASB ED 'Financial Instruments: Classification and Measurement'.

5.4 The Board:

- a. acknowledged the advantages of reducing the number of classification categories,
- b. expressed reservations about whether fair value in the form proposed in the ED was an appropriate way of measuring financial instruments,

- c. expressed concerns about the potential implications if the approach to derecognition became disconnected from work in other related areas,
  - d. supported restrictions on the ability to flip classifications but not to the extent that companies were prevented from reflecting changes in the way a business was run
  - e. noted that the retrospective application proposals could present considerable difficulties for some preparers and raise a question about whether the extent of those difficulties called into question whether the proposals represented an appropriate response to the calls for action to be taken in time for 2009 year ends.
- 5.5 The Board also noted that there was little prospect of early convergence with the US on this standard.
- 5.6 The Board commissioned preparation of a response to the ED for consideration at its September meeting.
- 6 IASB REQUEST FOR INPUT 'IMPAIRMENT OF FINANCIAL ASSETS: EXPECTED CASH FLOW APPROACH'
- 6.1 The Board considered the IASB's request for input on its Expected Loss Model.
- 6.2 The Board expressed doubts about whether the expected loss model was actually any different from the incurred loss model and suggested that the key differences between the expected loss and incurred loss approaches was the basis on which the inputs should be prepared.
- 6.3 The Board, while noting that the deadline for responses was 1 September, commissioned preparation of a response to the request for input for consideration at its meeting on 3 September.
- 7 IASB DISCUSSION PAPER 'CREDIT RISK IN LIABILITY MEASUREMENT'
- The Board gave preliminary consideration to the IASB Discussion Paper (DP) 'Credit Risk in Liability Measurement' and agreed to defer consideration of its responses to the IASB and to EFRAG to its next meeting.
- 8 REPORTS OF THE APRIL TO JUNE MEETINGS OF EFRAG AND JUNE MEETINGS OF THE IASB
- The Board noted the reports of the April to June meetings of EFRAG and the June meetings of the IASB.
9. NEXT MEETING
- Thursday 23 July, 9.00 a.m.