



ACCOUNTING STANDARDS BOARD

**Minutes of a meeting of the Accounting Standards Board (2007:10)
held on 19 July 2007 at Aldwych House, 71-91 Aldwych, London WC2**

PRESENT

Ian Mackintosh	Chairman
David Loweth	Technical Director and Secretary
Edward Beale	
Peter Elwin	
Roger Marshall	
Robert Overend	
Helen Weir	
Geoffrey Whittington	

IN ATTENDANCE

Andrew Lennard	Director of Research
Michael Kavanagh	IAASA Observer
David Tyrrall	DBERR
David Watkins	HM Treasury
Evelyn Ryle	Minutes Secretary
Peter Clark	IASB (item 9 only)
Jo Clube	Aviva (item 9 only)
John Breckenridge	ABI (item 9 only)
Nigel Bankhead	Board for Actuarial Standards (item 9 only)

Technical Staff: Jennifer Guest, Seema Jamil-O'Neill, Hans Nailor and Alan O'Connor.

APOLOGIES FOR ABSENCE were received from Mike Ashley, Marisa Cassoni and Peter Westlake.

1 MINUTES

The minutes of the meeting held on 28 June 2007 (2007:09) were agreed and approved for publication.

2 CHAIRMAN'S UPDATE AND REPORTS

2.1 The Board moved a vote of thanks to Roger Marshall and to Peter Westlake, both of whom were stepping down from the ASB after the meeting.

2.2 The Board noted that the US Securities and Exchange Commission (SEC) had issued for consultation its proposed rule to allow foreign issuers' financial statements prepared in accordance with International Financial Reporting Standards

(IFRS) as published by the International Accounting Standards Board (IASB) without reconciliation to US GAAP. The SEC had also set up an advisory committee to examine the US financial reporting system.

2.3 The Board noted that the EU Commission had received a very large number of responses to its questionnaire on IFRS 8 and was working towards completing its report in September 2007. The Board also noted that the Commission was planning to issue proposals in October 2007 on simplification of accounting for small and medium-sized enterprises (SMEs), focusing particularly on micro-entities. Accounting standards for SMEs were a matter for individual countries and IFRS was not a requirement for SMEs.

2.4 The Board discussed issues relating to equivalence between IFRS and local GAAP, noting that, in many jurisdictions including emerging economies, there was likely to be a move to secure equivalence for national standards. The Board expressed concern that such moves could lead to a great many parallel standards in accounting, rather than the single IFRS which had been the high-level aim.

2.5 The Board received an update on the IASB's project on business combinations and noted that the IASB was pressing ahead with it, though the timing remained to be resolved. The Board noted that the International Accounting Standards Committee Foundation (IASCF) planned to introduce feedback statements, cost-benefit analyses and post-implementation reviews on some implemented IFRS.

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

3 DRAFT DISCUSSION PAPER: ACCOUNTING FOR PENSIONS

3.1 The Board considered further drafts of two chapters of the proposed Pensions Discussion Paper: (1) liabilities to pay benefits; and (2) assets and liabilities: reporting entity considerations.

3.2 The Board discussed a number of issues arising from draft (1) including: (a) when the liability arose; (b) whether the liability should reflect only benefits to which the entity was presently committed or whether it should also reflect benefits that the entity might become committed to in the future; and (c) whether the liability in final salary schemes should reflect the effect of expected future salary increases. The Board reached no firm conclusions but, on issue (c), a majority of members was minded not to favour the inclusion of future salary increases where there was no commitment to such increases.

3.3 Draft (2) considered (a) the employer's individual financial statements and (b) the employer's consolidated financial statements. Board members commented that there were similarities between pension funds and special purpose vehicles (SPVs) and that pension funds received special treatment in being exempted from consolidation. A significant factor in the arguments for and against consolidation

was whether the employing entity controlled the pension fund and benefited from it. Much would depend on individual circumstances and on the jurisdiction in which the pension fund operated.

4 ACCOUNTING FOR HERITAGE ASSETS

4.1 The Board considered an overview of approaches to accounting for heritage assets. The requirements in the most recent Charities Statement of Recommended Practice (SORP), based on Financial Reporting Standard (FRS) 15, were being applied in a way that resulted in most entities reporting in their balance sheets only heritage assets acquired since 2001. That outcome was considered unsatisfactory.

4.2 The Board noted a project on issues of valuing heritage assets which was being led by HM Treasury with the Royal Institution of Chartered Surveyors (RICS) and which was expected to publish a discussion document in August 2007.

4.3 Various options for the way forward were discussed and the Board requested that a draft of an Exposure Draft be prepared that would propose requiring the reporting of heritage assets on the balance sheet, except where this was impracticable.

5 IASB/FASB CONCEPTUAL FRAMEWORK PROJECT

The Board received an update on the IASB/FASB (Financial Accounting Standards Board) conceptual framework project and noted that progress on certain phases was slow while the discussion was at a very high level.

6 IASCF CONSULTATION 'ENLARGING THE IFRIC'

The Board agreed a response to the International Accounting Standards Committee Foundation (IASCF) accepting its proposal to increase the size of the International Financial Reporting Interpretations Committee (IFRIC).

7 APPOINTMENTS AND RE-APPOINTMENTS

7.1 The Board approved the re-appointment to the Urgent Issues Task Force (UITF) of Brian Shearer, Marian MacBryde, John McDonnell and Howard Evans each for a further two-year term expiring on 31 August 2009; the Board also approved an extension to Guy Jubb's appointment until his successor had been appointed or until 31 December 2007, whichever was the earlier.

7.2 The Board approved the re-appointment of Liam McQuaid to the Committee on Accounting for Smaller Entities (CASE) for a further two-year term expiring on 31 August 2009.

7.3 The Board approved the appointment of Miles Hedges to the Committee on Accounting for Public-Benefit Entities (CAPE) for a two-year term expiring on 31 July 2009; and the re-appointment of Richard Bray to CAPE for a further two-year term expiring on 31 August 2009.

8 EFRAG AND IASB UPDATES

The Board noted the updates from the Technical Experts Group of the European Financial Reporting Advisory Group (EFRAG TEG) and the IASB, and EFRAG's Annual Review for 2006.

9 IASB PROPOSALS ON INSURANCE CONTRACTS

The Board received a presentation on the progress of the IASB's insurance project from the IASB's senior project manager. Representatives of the UK insurance industry were also present and participated in the discussion.

10 NEXT MEETING

Thursday, 13 September 2007, at 9.00 a.m.