



ACCOUNTING STANDARDS BOARD

**Minutes of a meeting of the Accounting Standards Board (2008:01)  
held on 10 January 2008 at Aldwych House, 71-91 Aldwych, London WC2**

PRESENT

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

IN ATTENDANCE

Ian Wright	Director of Corporate Reporting, FRC
Andrew Lennard	Director of Research
David Tyrrall	DTI
David Watkins	HM Treasury
Simon Peerless	Secretary
Evelyn Ryle	Minutes Secretary

Technical Staff: Michelle Crisp (MDC), Peter Godsall, Melanie Kerr and Alan O'Connor.

APOLOGIES FOR ABSENCE were received from Marisa Cassoni and Peter Elwin.

1 MINUTES

The minutes of the meeting held on 13 December 2007 (2007:15) were agreed and approved for publication.

2 CHAIRMAN'S UPDATE AND REPORTS

2.1 The Board noted the proposed publication schedule of the International Accounting Standards Board (IASB) in the first quarter of 2008. The revised version of International Financial Reporting Standard (IFRS) 3 'Business Combinations' had been published on the day of the Board meeting.

2.2 The next meeting of National Standard-Setters (NSS) was to take place in Melbourne, in March 2008.

2.3 The PAAinE Discussion Paper 'The Financial Reporting of Pensions', which had been developed by the Board as part of the PAAinE (Proactive Accounting Activities in Europe) initiative, was expected to be published later in January, 2008. The European Commission was preparing an evaluation report for the European Parliament on implementation of IFRS. A European Commission Regulation on equivalence for third-country GAAP (Generally Accepted Accounting Practice) had been published on 21 December 2007.

2.4 The FRC draft Plan and Budget was about to be published and would include a project to review complexity and relevance in corporate reporting. Ian Wright, Director of Corporate Reporting at the FRC, would lead the project. The Board suggested a number of approaches that the project might find helpful. It would be important for the ASB to be closely involved with the work. The Board considered a draft list of its own priorities for the coming year and suggested amendments. It was noted that the availability of resources would limit what could be achieved.

2.5 The Board approved the status report for publication on the website. The Board noted the activity report.

### 3 IASB PROJECT: ANNUAL IMPROVEMENTS

3.1 The Board considered a revised draft response to the IASB's Exposure Draft (ED) of proposed improvements to international financial reporting standards. The Board discussed whether the annual improvements project was an appropriate vehicle to make changes which, though changing only a few words in the text, would change the principles of a standard. On balance, the Board concluded that was unhelpful. The Board concluded, separately, that two of the items included in the IASB's ED were not minor, and should not be addressed via the improvements project.

3.2 The Board considered the detailed draft responses on the various individual improvements proposed in the IASB's ED and agreed drafting amendments to some of them. The revised response would be issued on the Board's behalf following the meeting.

3.3 The Board commissioned a revised response to the European Financial Reporting Advisory Group (EFRAG), taking account of the discussion on the response to the IASB. The letter to EFRAG would be issued on the Board's behalf following the meeting.

### 4 IASB EXPOSURE DRAFT: AMENDMENTS TO IAS 39

4.1 Board members noted that further research (since its previous discussion of the IASB's ED on amendments to IAS 39) had given rise to concerns that the proposed amendment would have unintended adverse consequences, even though the aim was unobjectionable. It appeared that, because of the way in which the ED

had addressed the change, it would become impossible to hedge using an option on a commodity. There might also be further adverse unintended consequences, though the arguments there appeared less compelling.

4.2 The Board commissioned a revised draft response to the IASB to take account of the latest information. It would be important to warn the IASB about the risk of unintended consequences. Board members would provide information to the project director outside the meeting. It was agreed that the response to EFRAG would need to be amended in the light of the changes.

## 5 STRATEGY FOR UK CONVERGENCE WITH IFRS

5.1 The Board considered general issues of convergence, following the closure of the comment period on the IASB's ED on an IFRS for Small and Medium-sized Entities (SMEs). The Board agreed that a great deal of work remained to be done for the UK, whether or not the IASB finally issued its IFRS for SMEs.

5.2 The Board commissioned a more detailed paper on next steps on convergence. Following discussion of that paper, the Board would publish material in order to stimulate discussion in the UK constituency.

## 6 HERITAGE ASSETS

6.1 The Board considered a redrafted ED on heritage assets which reflected the Board's earlier request that practicability should be considered on an asset-by-asset basis. The Board concluded that the issues were extremely difficult and that none of the proposed approaches was fully satisfactory.

6.2 The Board tended to the view that the practicability approach would not work at the level of individual assets but it re-affirmed its support for improved disclosures on holdings of heritage assets. The Board asked for further research on specific aspects and will consider the results of this research at a future meeting.

## 7 PROPOSED AMENDMENT TO FRS 20: GROUP CASH-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

7.1 The Board noted that the IASB had issued an ED to amend IFRS 2 in order to capture accounting in subsidiaries for certain group transactions where the subsidiary acquired services and the parent company paid out an amount based on the share price of the parent company or of another group company. The Board concluded that, while the proposed amendment would resolve the accounting in the subsidiary, it was arguable that it might create difficulties for the accounting in the parent company.

7.2 The Board agreed that the UK-equivalent ED should be published. The potential difficulty would be considered in the light of the responses to the ED. The exposure period would run until the end of March 2008.

## 8 REPORTING STATEMENT: OPERATING AND FINANCIAL REVIEW

8.1 The Board considered the publication of information as guidance for companies to make an easier link between legislation (specifically the Companies Act 2006) and best practice as set out in The Reporting Statement: Operating and Financial Review (the Reporting Statement). The Board noted that the IASB had added a project on Management Commentary to its active agenda.

8.2 The Board agreed to the publication of a press release repeating the view that the Reporting Statement provided applicable best practice guidance for UK companies. The press release would add that the Board was continuing to keep the issue of narrative reporting under review. An appendix to the press release would provide cross-references to the legislation.

## 9 EU COMMISSION QUESTIONNAIRES FOR EFFECTS STUDIES

9.1 The Board approved responses to the European Commission on its questionnaires on effects studies in relation to IAS 23 and IFRIC 12.

## 10 IASB UPDATES

10.1 The Board noted the Update report of the December meeting of the IASB.

## 11 NEXT MEETING

Thursday, 31 January 2008, at 9.00 a.m.