



**Minutes of a meeting of the Accounting Standards Board (2010:09)
held on 2 September 2010 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

Ian Mackintosh	Chairman
David Loweth	Technical Director
Nick Anderson	
Edward Beale	
Peter Elwin	
Ken Lever	
Robert Overend	
Andy Simmonds	
Pauline Wallace	

IN ATTENDANCE

Mario Abela	EFRAG (for Items 6&7)
Matt Blake	HMRC
Michael Kavanagh	IAASA
Andrew Lennard	ASB Research Director
Larry Pinkney	HM Treasury (for Items 1-3)
David Tyrrall	BIS
Roger Nicklen	Minutes Secretary

Technical Staff: Jenny Carter, Grant Chatterton, Faye Gordon, Katherine Martin, Helen Poole and Michelle Sansom.

APOLOGIES FOR ABSENCE were received from Marisa Cassoni.

1 MINUTES AND NOTE OF MEETING

1.1 The minutes of the meeting held on 14 July 2010 (2010:08) were agreed, subject to one minor amendment, and approved for publication.

2 UPDATE AND REPORTS

2.1 The Board received an update on recent developments, including:

- a. The announcements of the impending retirement of the Chairman of the US Financial Accounting Standards Board (FASB) and of the increase in FASB membership to 7.

- b. The forthcoming National Standards Setters (NSS) meeting (in Rome on 18 & 19 September) at which there was to be a presentation from the US Securities and Exchange Commission (SEC) on progress with their convergence work plan.
 - c. Forthcoming European Financial Reporting Advisory Group (EFRAG) outreach events - on financial instruments (on 15 September) and on more general International Accounting Standards Board (IASB) agenda issues (on 28 September).
 - d. The call for nominations for membership of EFRAG's Technical Experts Group (TEG).
 - e. The 26 August meeting of EFRAG and major European Standard Setters with the IASB.
 - f. Outstanding European Union (EU) endorsement of International Financial Reporting Standard (IFRS) 9 'Financial Instruments' and of IFRS 'Improvements to IFRS'.
 - g. Publication by the French standard setter (*Autorité des Normes Comptable, ANC*) of its 'Strategic Plan 2010-2011'.
 - h. Potential implications for the Financial Reporting Council (FRC) from the government consultation on reforming the UK's financial regulatory architecture, including the possibility of the FRC taking over the functions of the UK Listing Authority (UKLA) from the Financial Services Authority (FSA).
 - i. The need for the FRC to develop a response to the Government's changing approach to better regulation.
 - j. Publication of the FRRP's annual report for the year to 31 March 2010.
 - k. The re-appointments to the Board of Andy Simmonds and Nick Anderson.
 - l. The appointment of Joanna Spencer, on secondment from the Australian Accounting Standards Board, as a project director to work primarily on public-benefit entity issues.
- 2.2 The Board noted the Status Report and approved its publication.

3 FUTURE OF UK GAAP

3.1 The Board resumed its deliberations on the future of UK GAAP.

3.2 The Board discussed:

- a. feedback from the recent roundtable events;
- b. feedback from the public benefit entity (PBE) sector on revaluation of fixed assets;
- c. conclusions from outreach to the user community;

- d. review of progress on developing the effects analysis;
 - e. a number of sweep issues;
 - f. a pre-draft Financial Reporting Exposure Draft (FRED); and
 - g. a draft alternative view.
- 3.3 The Board noted the continuing tension between giving people the exemptions that they were arguing for and reducing complexity on which it was not going to be possible to satisfy everyone.
- 3.4 The Board agreed in relation to feedback from the PBE sector:
- a. not to modify the IFRS for Small and Medium-sized Entities (SMEs) in relation to revaluation of fixed assets or capitalisation of borrowing costs;
 - b. to reflect its discussion of the issues around revaluation of fixed assets and capitalisation of borrowing costs in the basis for conclusions; and
 - c. to consult on its principles for minimal modification of the IFRS for SMEs.
- 3.5 The Board noted the results of feedback from the outreach exercise and the intention The Chairman concluded this part of the discussion by saying that the staff would continue to try to identify additional users with the aim of ensuring that they responded to the FRED.
- 3.6 The Board considered the progress made in developing the impact assessment, endorsed the proposed format and noted the need for further work to be done to complete the analysis.
- 3.7 The Board agreed that:
- a. (subject to any further arguments that might be put at the next meeting) the UK version of the IFRS for SMEs should be called the FRS for Medium-sized Entities (FRSME);
 - b. the implementation date should be 18 months after publication of the new standard, with earlier adoption allowed;
 - c. there should be a six month comment period; and
 - d. the target for implementation (subject to the amount of time needed between the end of the comment period and publication) should be 1 July 2013.
- 3.8 The Board agreed that:
- a. an entity would qualify as publicly accountable if it met the conditions at its reporting date; and
 - b. publicly accountable prudentially regulated entities should be required to meet all three small size conditions for two years before they were eligible to use the FRSME (unless they were in their first financial year) and be able to continue using the FRSME in the first year of breaching

those conditions (mirroring the terms currently in the Companies Act in relation to small companies).

- 3.9 The Board decided not to modify the IFRS for SMEs in relation to the alleged possibility that certain instruments would be required to be held at fair value when this was not permitted by the law and agreed to set out the reasons why in the basis for conclusions.
- 3.10 The Board agreed that:
- a. no specific transitional arrangements would be needed for subsidiaries transitioning from EU-adopted IFRS to Tier 2s;
 - b. for entities transitioning from EU-adopted IFRS to Tier 1s -.
 - i) where there were no recognition and measurement differences it was sufficient for an entity to disclose that it had undergone transition to Tier 1s and therefore that had omitted relevant disclosures permitted under the reduced disclosure framework for all periods presented; and
 - ii) transition arrangements should apply where there were recognition and measurement differences the FRED should include the transition arrangements (and approved the wording for these arrangements); and .
 - c. subsidiaries undergoing transition from current UK FRSs to Tier 1s should follow the requirements of IFRS 1 paragraphs 6-33, but that references to IFRS in relation to the subsidiary's individual accounts should be interpreted to mean EU-adopted IFRS as modified by Appendix 1 of the proposed FRS: Application of Financial Reporting Requirements.
- 3.11 The Board agreed that there was a need for specific wording to be included in the notes to the accounts describing the tier applied in their application, and approved the proposed wording.
- 3.12 The Board agreed that:
- a. issues relating to the audit opinion in respect of identifying the financial reporting framework were matters for the Department for Business Innovation and Skills (BIS) and the Auditing Practices Board (APB); and
 - b. issues in relation to the duties of auditors in respect of the accounting framework applied were matters for BIS.
- 3.13 The Board approved the revised format of the proposed FRED and noted that a final version would be prepared for approval at the next meeting.
- 3.14 The Board noted the draft alternative view and the need for its revision as a result of the reformatting of the proposed FRED.

- 4 IASB EXPOSURE DRAFT (ED) 'MEASUREMENT UNCERTAINTY ANALYSIS DISCLOSURE FOR FAIR VALUE MEASUREMENTS'
 - 4.1 The Board considered the response to be made to the IASB and EFRAG on the IASB's Exposure Draft (ED) 'Measurement Uncertainty Analysis Disclosure for Fair Value Measurements'.
 - 4.2 The Board disagreed with the proposals on the grounds that they were not cost effective, operational or capable of achieving what they set out to achieve and commissioned preparation of responses to the IASB and EFRAG to be approved outside the meeting.

- 5 EFRAG'S CONSULTATION DOCUMENT ON ITS PROPOSED PRO-ACTIVE WORK PROGRAMME
 - 5.1 The Board considered its response to EFRAG's consultation document on its proposed Pro-active Work Programme.
 - 5.2 The Board approved the response to EFRAG supporting EFRAG's programme and encouraging EFRAG to concentrate its efforts where they would have most effect.

- 6 DISCUSSION PAPER (DP) ON THE PRO-ACTIVE PROJECT ON 'CONSIDERING THE EFFECTS OF ACCOUNTING STANDARDS'
 - 6.1 The Board considered a Discussion Paper (DP) on the pro-active project on 'Considering the Effects of Accounting Standards'.
 - 6.2 The Board supported the DP and suggested that it needed to bring out more clearly that because there were difficulties quantifying costs and benefits a decision on whether to proceed with a standard should not just turn on a cost-benefit analysis producing a positive NPV.
 - 6.3 The Board suggested considerable caution in relation to the timing of publication of the DP as it dealt with an issue of considerable importance that, given the current volume of consultations, might not get sufficient attention.
 - 6.4 The Board agreed that the discussion document, amended to take account of the comments made, could go forward for consideration by NSS and EFRAG TEG and then be published.

- 7 PRO-ACTIVE PROJECT ON THE FINANCIAL REPORTING OF CORPORATE INCOME TAXES
 - 7.1 The Board considered a report on the pro-active project on the Financial Reporting of Corporate Income Taxes, which was also to be discussed by the DRSC, EFRAG TEG and NSS.

7.2 The Board noted the report and the intention to give the project new impetus through a concentration of effort during October.

8 STATEMENT OF RECOMMENDED PRACTICE (SORP) FOR REGISTERED SOCIAL LANDLORDS (RSLs)

8.1 The Board considered a draft updated SORP that, following changes in terminology for registered social landlords, would be titled 'Statement of Recommended Practice (SORP): Accounting by registered social housing providers 2010'.

8.2 The Board:

- a. agreed with the accounting treatments set out in the SORP for acquisitions, mergers and non-exchange transactions;
- b. agreed with the changes to the SORP for capitalisation of works to existing properties; and
- c. approved its Statement of Assurance.

9 APPOINTMENTS TO THE URGENT ISSUES TASK FORCE (UITF)

9.1 The Board approved the re-appointment of Bill Hicks, Geoffrey Mitchell and Andrew Vials to the UITF for further terms running to 30 September 2012.

10 REPORTS OF THE JULY MEETING OF EFRAG'S TECHNICAL EXPERTS GROUP (TEG) AND THE MEETINGS OF THE IASB HELD ON 19-23 JULY

10.1 The Board noted the 'Update' reports of:

- a. the July meeting of EFRAG TEG;
- b. the 19-23 July meeting of the IASB, some of which had been held together with FASB; and
- c. the 3 August meeting of the IASB.

11 NEXT MEETING

Thursday 23 September, 9.00 a.m.