



**Minutes of a meeting of the Accounting Standards Board (2008:15)
held on 18 December 2008 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	
Geoffrey Whittington	

IN ATTENDANCE

Michael Kavanagh	IAASA Observer
Ian Wright	FRC Director of Corporate Reporting (for Items 5&6)
Andrew Lennard	ASB Director of Research
David Tyrrell	BERR
Larry Pinkney	HM Treasury
Simon Peerless	Secretary
Roger Nicklen	Minutes Secretary

Technical Staff: Mario Abela (CMA), Alan O'Connor, Michelle Crisp (MDC), Peter Godsall (PG), Seema Jamil-O'Neill, Melanie Kerr (MDK) and Janice Lingwood.

APOLOGIES FOR ABSENCE were received from Mike Ashley and Marisa Cassoni

1 MINUTES OF MEETING

1.1 The minutes of the meeting held on 27 November 2008 (2008:14) were agreed and approved for publication.

2 CHAIRMAN'S UPDATE AND REPORTS

2.1 The Board received an update on recent activities.

2.2 The Board noted:

- a. The forthcoming publication by the International Accounting Standards Board (IASB) of an Exposure Draft (ED) on embedded derivatives, with a

30 day comment period, and the possibility of a further ED on financial instruments disclosures.

- b. Continuing uncertainty over the likely European Commission reaction to the IASB's response to requests for further urgent action on financial instruments.
 - c. The forthcoming publication of an IASB ED on consolidations.
 - d. Publication of the second part of the International Accounting Standards Committee Foundation (IASCF) Trustees constitution review.
 - e. Recent IASB discussions on fair value measurement.
 - f. Publication of the final proposals on enhancement of the European financial Reporting Advisory Group (EFRAG).
 - g. Publication of the FRC's draft Plan and Budget proposals for 2009/10.
- 2.3 The Board approved the Status report for publication.

3 AMENDMENTS TO IFRS 1 'ADDITIONAL EXEMPTIONS FOR FIRST-TIME ADOPTERS'

- 3.1 The Board considered the IASB Exposure Draft 'Additional Exemptions for First-time Adopters' of amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards'.
- 3.2 The Board agreed to support the amendments but expressed concern about the growing list of exemptions in IFRS 1 and the lack of coherence in the rationale for relief provided to first-time adopters.
- 3.3 The Board commissioned preparation of a response reflecting its concerns, to be circulated for approval outside the meeting.
- 3.4 The Board approved a response to EFRAG supporting its draft comment letter on the proposed amendments.

4 AMENDMENTS TO IFRS 5 'DISCONTINUED OPERATIONS'

- 4.1 The Board considered the IASB Exposure Draft 'Discontinued Operations' proposing amendments to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. Overall, it did not support the proposals in the ED.
- 4.2 The Board expressed concern that, although the proposed amendments could have the effect of removing some of the subjectivity over the classification of discontinued operations, overall they could add confusion. The Board was not convinced of the need to show discontinued operations on the face of the balance sheet and favoured disclosure of discontinued operations in the notes as a segment.
- 4.3 The Board commissioned preparation of responses to the IASB and to EFRAG on its draft comment letter, to be circulated for approval outside the meeting.

5 COMPLEXITY IN FINANCIAL REPORTING

- 5.1 The Board considered a progress report on the FRC's Complexity Project.
- 5.2 The Board discussed the overall approach to the project's forthcoming discussion document, the range of recommendations to be made and the relationship between the project and its own standard-setting responsibilities.

6 FUTURE OF UK GAAP

- 6.1 The Board further considered the basis on which it would consult on the future of UK GAAP in relation to:
 - a. small and medium sized entities (including the potential impact of micro entities being removed from the requirements of the 4th and 7th European Union Directives); and
 - b. subsidiaries.
- 6.2 The Board noted that both the outcome on and timing of the proposed International Financial Reporting Standard for Private Entities (whose title was again under review) were uncertain. In the light of this, while re-affirming its view that the Financial Reporting Standard for Smaller Entities (FRSSE) should remain in use for the foreseeable future, the Board deferred further consideration until the outcomes on the International Financial Reporting Standard for Private Entities and on micro-entities were clearer.
- 6.3 The Board discussed accounting for subsidiaries in the context of a possible recommendation from the Complexity Project aimed at simplification.

7 AMENDMENTS TO IAS 39 'FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT' AND IFRS 7 'FINANCIAL INSTRUMENTS: DISCLOSURES'

- 7.1 The Board considered the IASB's most recent amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' (the clarification amendments).
- 7.2 The Board noted that the clarification amendments had been designed to make clear that only those financial instruments held by entities between 1 July and 31 October 2008 would be eligible for retrospective reclassification up to 1 July 2008.
- 7.3 The Board agreed:
 - a. that it should issue corresponding amendments to FRS 26 'Financial Instruments: Recognition and Measurement' and FRS 29 'Financial Instruments: Disclosures' in final form and that an immediate announcement should be made to that effect;

- b. to defer issuing the clarification amendments pending consideration of a forthcoming IASB Exposure Draft of further amendments to IAS 39; and
- c. that a response should be sent to EFRAG in support of its draft endorsement advice.

8 APPOINTMENTS

8.1 The Board:

- a. approved the re-appointment of Una Curtis and Kathryn Cearns to the Urgent Issues Task Force for further terms running to 31 December 2010;
- b. approved the re-appointment of Mike Hathorn and Stephen Warren to the Committee on Accounting for Public Benefit Entities for further terms running to 31 December 2010; and .
- c. endorsed the appointment of Sarah Smith, Andy Speer, Steve Amos and Philip Brown to the Registered Social Landlords SORP Working Party.

9 IPSASB EXPOSURE DRAFT ON BORROWING COSTS

9.1 The Board considered the International Public Sector Accounting Standards Board (IPSASB) Exposure Draft 35 'IPSAS 5 "Borrowing Costs"'.

9.2 The Board approved a response to IPSASB agreeing that there were strong public sector reasons for the proposed departures from IAS 23 'Borrowing Costs' but arguing that, where specifically incurred on qualifying assets, capitalisation of borrowing costs should be a requirement and not an option and that inclusion of borrowing costs, where assets are revalued on a replacement cost basis, should not be precluded.

10 THE FINANCIAL REPORTING OF PENSIONS

10.1 The Board reviewed the responses to Chapter 5 'Measurement of liabilities to pay benefits' of the PAAinE Discussion Paper 'The Financial Reporting of Pensions'.

10.2 The Board:

- a. re-affirmed its view that the cash flows should reflect the probability of different outcomes (expected value);
- b. requested an educational session on the way in which actuaries produced cash-flow forecasts for pension liabilities; the aim of the session should be for the Board to have a better understanding of how actuaries do or do not reflect risk in the forecast cash-flows for pension liabilities;
- c. noted the reasons why technical provisions in the UK could be different to estimates derived using IAS 19 'Employee Benefits' or FRS 17 'Retirement Benefits';

- d. agreed that the primary need for users of financial statements was to understand the cash flows associated with the assets and liabilities of a pension scheme;
- e. agreed that disclosures should address the risks and funding associated with the pension liability and to review further whether the range of disclosures proposed in the DP was appropriate;
- f. noted the reasons why some respondents perceived SSAP 24 'Accounting for pension costs' to be a better model than IAS 19 or FRS 17; and
- g. agreed to consider further (a) whether the discount rate should reflect the time value of money only; (b) whether the liability should reflect credit risk and; (c) sweep issues associated with measurement, such as expenses of administration.

11 REPORTS OF THE NOVEMBER MEETINGS OF EFRAG (TEG) AND THE IASB

11.1 The Board noted the reports of the November meetings of EFRAG's Technical Advisory Group (TEG) and the IASB (papers 11A and 11B).

12 NEXT MEETING

Thursday 15 January 2009, 9.00 a.m.