



**Minutes of a meeting of the Accounting Standards Board (2009:07)
held on 18 June 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	
Ken Lever	
Robert Overend	
Andy Simmonds	
Geoffrey Whittington	

IN ATTENDANCE

Eric Anstee	FRC Non-Executive Director#
Paul Boyle	FRC Chief Executive#
Peter Chambers	FRC Non-Executive Director#
Richard Fleck	APB Chair#
Sir Christopher Hogg	FRC Chair#
Michael Kavanagh	IAASA Observer
Dame Barbara Mills	POB Chair#
Larry Pinkney	HM Treasury
Sir Steve Robson	FRC Non-Executive Director#
Paul Seymour	former BAS Chair#
Lindsay Tomlinson	FRC Non-Executive Director#
David Tyrrall	BIS
Timothy Walker	AADB Chair#
Peter Godsall	Secretary
Roger Nicklen	Minutes Secretary

#present for Item 1 only

Technical Staff: Mario Abela, Michelle Crisp, Jennifer Guest and Seema Jamil-O'Neill.

APOLOGIES FOR ABSENCE were received from Mike Ashley and Geoffrey Whittington.

Joint Meeting with the Financial Reporting Council (FRC) Board

- 1 POLICY BRIEFINGS ON MAJOR FINANCIAL REPORTING ISSUES
- 1.1 The joint meeting considered policy briefings on the following major financial reporting issues:
 - a. the use of 'fair value',
 - b. the future development of International Financial Reporting Standards (IFRS),
 - c. the use of IFRS in the European Union (EU) and
 - d. measuring pension liabilities.
- 1.2 In relation to the use of 'fair value', the consensus was in favour of retaining a mixed model. The issues were determining what 'fair value' should be used for, how it should be calculated and how it had been done in the past. There was recognition that the International Accounting Standards Board (IASB) seemed to be trying to look at the issues in a holistic way but doubts about whether the USA could be persuaded to take a similar approach and whether the G20 hope of a global solution was likely to be realisable in the near future.
- 1.3 In relation to the future development of IFRS the need for the IASB to respond in a timely way to the issues raised by the current financial crisis was recognised but concern was expressed that the IASB was too closely focussed on convergence with the USA rather than on developing a new Conceptual Framework and on improving IFRS. Concern was also expressed about the need for the IASB to improve its interaction with constituents who currently felt that they were not being listened to. The benefits of a single global set of accounting standards were recognised and encouragement of the USA to take a gradualist approach towards that objective by allowing UK companies to use IFRS was supported.
- 1.4 In relation to the use of IFRS in the EU note was taken of the continuing political pressure on the IASB to respond quickly to the current financial crisis and to ensure a level playing field with the USA. Concern was expressed that pursuit of a level playing field objective paid too little attention to improvement of financial reporting and risked becoming a race to the bottom. Improvements in relationships between European standard-setters and the greater concentration on technical rather than political issues were noted. While concerns were recognised about the quality of some of the IASB's current output, the longer term aim of changing the governance of the IASB so as to bring about independence from political control over detailed standard-setting and resistance to the pressures for establishing a European standard-setter were endorsed.
- 1.5 In relation to measuring pension liabilities there was a debate on the issue of the discount rate to be applied to pension liabilities and the potential confusion between discounting pension liabilities and the roll-up rate for

assets held to cover pension liabilities. Note was taken of the extent to which the regulatory environment for pensions had changed in recent years. Mixed views were expressed on the extent to which accounting standards had contributed to the demise of defined benefit pension schemes and not was taken of the potential need to consider the accounting implications of alternative forms of retirement provision that might take their place. There was also a debate on the extent to which it was right to say that different measures of pension liabilities were appropriate for different decision-making purposes as opposed to focussing on the need for pension liabilities to be measured on a consistent basis applying different sets of assumptions for different purposes to a common set of core data.

- 1.6 The joint meeting endorsed the policy positions on the use of 'fair value', the future development of International Financial Reporting Standards (IFRS) and the use of IFRS in the European Union (EU) and looked for an adjustment to the stated policy position on measuring pension liabilities to reflect the need for pension liabilities to be measured on a consistent basis.

ASB meeting

2 MINUTES

The minutes of the meeting held on 21 May 2009 (2009:06) were agreed and approved for publication.

3 CHAIRMAN'S UPDATE AND REPORTS

- 3.1 The Board was briefed on recent events.

- 3.2 In particular, the Board:

- a. noted that the first meeting of the new European Financial Reporting Advisory Group's (EFRAG) interim Planning and Resources Committee (PRC) had gone well,
- b. received an oral briefing on the European Commission's (EC) 12 June roundtable on its review of the Accounting Directives,
- c. considered the accounting related questions raised in the Financial Services Authority (FSA) discussion paper 'A Regulatory Response to the Global Credit Crisis' and approved a line to take, and
- d. reiterated its concern about the volume of IASB consultations requiring a response and agreed to consider further whether to make formal representations.

- 3.3 The Board noted the Status report and approved its publication on the website.

4 IASB EXPOSURE DRAFT 'INCOME TAX'

- 4.1 The Board considered to the IASB's Exposure Draft (ED) 'Income Tax' and EFRAG's draft comment letter.
- 4.2 The Board approved a response to the IASB that was not supportive of the ED and which, for that reason, did not address the IASB's individual questions.
- 4.3 The Board also approved a response to EFRAG supporting its draft comments, including its responses to the IASB's individual questions.

5 THE FUTURE OF UK GAAP

- 5.1 The Board continued consideration of its policy proposals on the future of UK GAAP.
- 5.2 The Board discussed further the reporting requirements for wholly-owned subsidiaries and agreed that it should consult on the basis that:
 - a. full EU-adopted IFRS should be used by all publicly accountable entities (including subsidiaries);
 - b. subsidiaries that were not publicly accountable should be regarded as part of the middle tier of entities allowed to use the IFRS for SMEs; and
 - c. having thought hard about whether it could give other disclosure exemptions the Board considered that they were so few they would not be worth having, but constituents would be invited to make the case if they disagreed.
- 5.3 The Board gave further consideration to whether the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) was likely to be found inconsistent with the Accounting Directives and whether it could be used un-amended as the basis for the middle tier of UK GAAP.
- 5.4 The Board noted that there could be some inconsistencies with the IFRS for SMEs that might require further consideration but agreed to consult on the basis that the IFRS for SMEs should be used un-amended.
- 5.5 The Board discussed the implications for its consultation of the government's intention to re-consult on the application in the UK of the IAS Regulation, noted the potential for decisions to be taken after its own consultation that might affect the outcome of its consultation, but agreed to press ahead by including reference in its policy proposal to the government's intention to consult but setting it against the belief that the Board's proposals remained sound and in the hope that they would not need to be changed subsequently.
- 5.6 The Board noted the draft policy proposal and commissioned preparation of a final draft for approval at its next meeting.

6 IASB EXPOSURE DRAFT 'DERECOGNITION'

- 6.1 The Board considered the IASB Exposure Draft (ED) 'Derecognition' together with the IASB staff summary 'Derecognition and Consolidation' prepared for the IASB's roundtable meetings and received an oral report on those meetings.
- 6.2 The Board deferred further consideration of its response to the IASB.

7 THE FINANCIAL REPORTING OF PENSIONS

- 7.1 The Board briefly resumed its re-deliberation of the Pro-Active Accounting Issues in Europe (PAAinE) Discussion Paper (DP) 'The Financial Reporting of Pensions'.
- 7.2 The Board noted the draft report of its re-deliberations and commissioned the preparation of a final draft for consideration at its next meeting.
- 7.3 The Board also commissioned preparation of a briefing paper for other European standard-setters on the forthcoming IASB Exposure Draft on pensions.

8 EFRAG DRAFT COMMENT LETTER ON THE IASB DISCUSSION PAPER 'LEASES - PRELIMINARY VIEW'

- 8.1 The Board considered EFRAG's draft comment letter on the IASB Discussion Paper (DP) 'Leases - Preliminary View'.
- 8.2 The Board approved a response that broadly agreed with EFRAG except on the issue of whether lessee accounting was sufficiently broken to justify dealing with it separately from lessor accounting.

9 OTHER BUSINESS

Embedded derivatives

- 9.1 The Board agreed that its approval of an Exposure Draft (with a short consultation period) bringing the IASB's amendments to IFRIC 9 'Reassessment of Embedded Derivatives' and IAS 39 into UK GAAP could be sought by email.

10 NEXT MEETING

Wednesday 15 July, 9.00 a.m.