



ACCOUNTING STANDARDS BOARD

**Minutes of a meeting of the Accounting Standards Board (2008:02)
held on 31 January 2008 at Aldwych House, 71-91 Aldwych, London WC2**

PRESENT

Ian Mackintosh	Chairman
David Loweth	Technical Director
Nick Anderson	
Mike Ashley	
Edward Beale	
Marisa Cassoni (MC)	
Peter Elwin	
Robert Overend	
Andy Simmonds	
Geoffrey Whittington	

IN ATTENDANCE

Andrew Lennard	Director of Research
Michael Kavanagh	IAASA Observer
David Tyrrall	BERR
David Watkins	HM Treasury
Evelyn Ryle	Minutes Secretary

Technical Staff: Michelle Crisp (MDC), Peter Godsall, Seema Jamil-O'Neill (SJO) and Alan O'Connor.

1 MINUTES

The minutes of the meeting held on 10 January 2008 (2008:01) were agreed and approved for publication.

2 CHAIRMAN'S UPDATE AND REPORTS

2.1 The Board noted that the Proactive Accounting Activities in Europe (PAAinE) Discussion Paper 'The Financial Reporting of Pensions' had been published on 31 January 2008. The consultation period would end on 14 July 2008.

2.2 The Board discussed whether there was a case for asking the International Accounting Standards Board (IASB) to make International Accounting Standard (IAS) 26 'Accounting for Pension Plans' non-mandatory, or to suspend or withdraw it. In some jurisdictions where International Financial Reporting Standards (IFRS) were being adopted for all entities, the inclusion of IAS 26 was leading to problems. However, jurisdictions could deal with those problems by narrowing the options in IAS 26. Possible future work by national standard-setters (NSS) on a replacement for

IAS 26 was also discussed but no agreed position was reached. Issues of priority and resource allocation would be important.

2.3 The Chairman reported on the Global Public Policy Symposium which he had attended in New York. There were differing views on when the USA might adopt IFRS and the implications for other jurisdictions. The Chairman reported that he had also had useful meetings in the USA with the Governmental Accounting Standards Board (GASB), with the Financial Accounting Standards Board (FASB) and with the chairman of the Advisory Committee on Improvements to Financial Reporting, which had just produced its first report.

2.4 The Chairman reported that he had met the chairman of the IASB for a preliminary discussion on how NSS might work with the IASB. The IASB's agenda would be discussed at the next meeting of NSS in March 2008.

2.5 The Chairman reported that he and representatives of the French and German standard-setters, and of the European Financial Reporting Advisory Group (EFRAG), had had a meeting with representatives of the European Commission.

2.6 The Board noted that a consultation document on financial stability and depositor protection had been published jointly by HM Treasury, the Bank of England, and the Financial Services Authority. It contained a number of references to accounting issues.

2.7 The Board noted the status report and approved its publication on the website. The Board also noted the activity report.

3 RESPONSES TO IASB AND EFRAG ON IASB EXPOSURE DRAFT: COST OF INVESTMENT IN A SUBSIDIARY

3.1 The Board considered a draft response to the IASB's exposure draft (ED) on the Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate. The Board noted that the revised text included a number of changes which the Board had previously proposed and, with some amendments, the draft response to the IASB was approved.

3.2 The Board considered a draft response to EFRAG. With some amendments, the draft response was approved.

4 AMENDMENT TO FRS 20 (IFRS 2) SHARE-BASED PAYMENT VESTING CONDITIONS AND CANCELLATIONS

The Board re-approved its earlier decision that FRS 20 'Share-based Payment' should be amended in line with the IASB's amendments to IFRS 2 'Share-based Payment,

Vesting Conditions and Cancellations'. The Board noted that the effective date of the amendment to IFRS 2 had been changed to 1 January 2009.

5 AMENDMENTS TO FRS 25:
FINANCIAL INSTRUMENTS PUTTABLE AT FAIR VALUE

5.1 The Board noted that the IASB had made significant changes to the June 2006 ED proposing amendments to IAS 32 and IAS 1 relating to financial instruments puttable at fair value. The Board also noted, with concern, that the IASB intended to issue the amendments without re-exposure during the first quarter of 2008.

5.2 The Board considered the arguments for and against convergence with the amendments to IAS 32 due to be published by the IASB. It concluded that since the changes were significant it would be important to consult the UK constituency to ensure that any unintentional consequences of the amendment have been considered. The comment period would be short. The Board would make its decision on implementation in the light of the responses to that due process consultation.

6 CONCEPTUAL FRAMEWORK PROJECT: PROGRESS REPORT

6.1 The Board received a progress report on the joint IASB/FASB conceptual framework project and discussed the latest working definition of an asset, and the asset definition examples published in the IASB's Information for Observers of October 2007.

6.2 The Board recognised that the project's latest working definition of an asset was an improvement by comparison with the definition in the FASB Framework, but did not consider it to be an improvement over the definition in the IASB's existing Framework. The Board expressed concern about a number of wording changes which had been made in arriving at the proposed definition of an asset. The Board was also concerned about the likely impact on recognition. Parts of the definition were potentially ambiguous and may prove to be difficult to apply in practice.

6.3 The Board noted that the PAAinE working group on conceptual framework was aiming to produce a paper on the IASB and FASB's working definition of an asset. Such a paper could serve as a useful basis for involving the constituencies in discussions about the evolving IASB/FASB conceptual framework project.

7 BUSINESS COMBINATIONS PHASE II

7.1 The Board discussed the main changes which had been made in Phase II of the IASB's Business Combinations project, by comparison with the IASB's 2005 ED and with the Board's own views, as set out in the Preface to Financial Reporting Exposure Draft (FRED) 36.

7.2 The Board noted that the IASB's proposals were now focused on valuing the individual components of a business combination and that a choice of methods of measuring non-controlling interests would be permitted. The second method addressed the concern which the Board had raised in the Preface to FRED 36.

7.3 The Board noted that the IASB's documents included an effect analysis. It was hoped that the IASB would use such analyses in future as a vehicle for demonstrating the value of the changes it was proposing, the degree of improvement the changes would make, and their likely impact on preparers and users.

8 APPOINTMENTS

8.1 The Board approved the appointment of Angela Brown as a member of the CIPFA/LASAAC Local Authority SORP Board. The Board also approved the nomination of Hazel Black as an observer to that Board.

8.2 The Board approved the appointment of Chris Wilson as a member of the Registered Social Landlords (RSL) SORP Working Party.

9 NEXT MEETING

Thursday, 21 February 2008, at 9.00 a.m.