



**Minutes of a meeting of the Accounting Standards Board (2010:03)
held on 25 February 2010 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

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

IN ATTENDANCE

Stephen Haddrill	FRC Chief Executive (for Items 1 to 5)
Michael Kavanagh	IAASA Observer
Andrew Lennard	ASB Director of Research
Anthony Snow	FRC Chief Operating Officer
David Tyrrall	BIS
Ian Wright	FRC Director of Corporate Reporting (for Items 1 to 5)
Chris Wobschall	HM Treasury (for Items 1 to 4)
Peter Godsall	Secretary
Simon Peerless	Minutes Secretary

Technical Staff: Paul Ebling (PME), Alan O'Connor and Michelle Sansom.

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

The Chairman welcomed Anthony Snow, Chief Operating Officer of the FRC, to the meeting.

1 MINUTES

- 1.1 The minutes of the meeting held on 4 February 2010 (2010:02) were agreed and approved for publication.

2 UPDATE AND REPORTS

2.1 The Board received an update on recent developments relating to the global financial crisis, other IASB and international developments, EFRAG and other European developments, and FRC and ASB developments.

2.2 The Board noted:

- a. a report from the Quantitative Analysis Unit of the Federal Reserve Bank of Boston 'Fair Value Accounting: Villain or Innocent Victim', which concluded, based on research into a number of large US banks, that fair value adjustments had only a small percentage impact on regulatory capital;
- b. the announcement by the Trustees of the International Accounting Standards Committee Foundation (IASCF) of their conclusions from the review of the constitution of the IASCF, including the introduction of three-yearly public consultation on the IASB's agenda;
- c. the meetings of the IASB and the US Financial Accounting Standards Board (FASB) on 15 to 19 February, and in particular the discussions on the summary of responses to the Exposure Draft (ED) on rate regulated activities;
- d. the meeting of the Standards Advisory Council on 22 to 23 February, at which the ASB Chairman gave a presentation on the work of the National Standard Setters group, and the ASB Technical Director a presentation on effects analysis as part of due process in standard setting;
- e. the expiry of the terms of appointment of four IFRIC members in June 2010;
- f. the US Securities and Exchange Commission (SEC) statement issued on 24 February on its position regarding global accounting standards and its staff work plan to assess whether IFRS should be incorporated into the US financial reporting system after the completion of the Memorandum of Understanding projects in 2011;
- g. the confirmation in office of the new European Commissioner for Internal Markets, Michel Barnier, and the reference in his recent speech to financial reporting issues;
- h. the European Commission's one-day conference on 8 February on accounting issues;
- i. the announcement that the Commission was to set up a Group of Experts on Banking Issues;
- j. the new composition of EFRAG's Technical Experts Group (TEG), including the appointment of Françoise Flores as chair and Mike Ashley as vice-chair and Andy Symonds as a member;

- k. the meeting of TEG on 24 February, which had considered the project on income taxes, the PAAinE project on performance reporting, and the IASB's project on extractive industries;
 - l. the agenda for the Accounting Regulatory Committee (ARC) meeting the following week;
 - m. the appearance of the FRC Chief Executive, Stephen Haddrill, before the Treasury Select Committee on 9 February; and
 - n. the forthcoming meeting between the Chairman and Jérôme Haas, the newly appointed chairman of the French standard setter, the Autorité des Normes Comptables (ANC).
- 2.3 The Board also noted the Status Report and approved it for publication.
- 3 ASB CONSULTATION PAPER 'POLICY PROPOSAL: THE FUTURE OF UK GAAP'
- 3.1 The Board considered a summary of the responses to its consultation paper 'Policy Proposal: the Future of UK GAAP' issued in August 2009.
- 3.2 The Board noted:
- a. that to date 152 responses had been received;
 - b. that there was general acceptance of the main proposal that UK GAAP had run its course and that the IFRS for Small and Medium Entities (SMEs) provided the foundations for a suitable replacement; and
 - c. that there were many issues of detail that would need careful consideration before more detailed proposals could be made.
- 3.3 The Board:
- a. agreed to a project timetable working towards the issue of an exposure draft in the summer of 2010, or as soon as possible thereafter;
 - b. agreed to consider holding an additional one-day Board meeting to address issues arising from the consultation;
 - c. noted the staff resources that would be required to complete this work plan; and
 - d. noted that 2013 might be a more realistic date than 2012 for the transition to the new standard.
- 4 EUROPEAN COMMISSION CONSULTATION ON THE IFRS FOR SMALL AND MEDIUM-SIZED ENTITIES
- 4.1 The Board considered the European Commission's consultation paper on the IFRS for SMEs, issued in November 2009.
- 4.2 The Board approved a response to the Commission that:

- a. noted the support received in the comment letters received on the Board's consultation on the future of UK GAAP for UK companies that were not publicly accountable to use a standard based on the IFRS for SMEs; and
- b. expressed the view that the incompatibilities between the IFRS for SMEs and the 4th and 7th Directives did not appear to present an insuperable barrier to the use of the IFRS for SMEs, but that if necessary these should be removed by amending the Directives.

5 BUSINESS MODEL

5.1 The Board considered a proposal for a project on the relevance of the business model to financial reporting.

5.2 The Board:

- a. agreed that it was important to develop a clearer understanding of what was meant by an entity's business model;
- b. agreed that disclosure of the business model was an important element of narrative reporting in financial reports;
- c. agreed that a key question was whether an entity's business model should affect the reporting of the entity's transactions and the recognition and measurement of its assets and liabilities; and
- d. expressed concern that as the project touched on fundamental issues relating to the purpose of financial reporting and the needs of users, it might be difficult to reach conclusions in a reasonable time scale.

5.3 The Board commissioned a more detailed project proposal for consideration at a future meeting.

6 IASB PROJECT ON FINANCIAL STATEMENT PRESENTATION

6.1 The Board considered an illustrative set of financial statements prepared by the IASB to illustrate its latest proposals in its project on financial statement presentation.

6.2 The Board:

- a. found the example helpful in clarifying some of the IASB's recent decisions;
- b. expressed concern that the primary financial statements contained excessive detail and as a result a clear overall picture was not presented; and
- c. suggested further points for consideration by staff when drafting the Board's response to the forthcoming exposure draft.

7 INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD
CONSULTATION PAPER ON LONG-TERM FISCAL SUSTAINABILITY

7.1 The Board received a report of the views of the Board's Committee on Accounting for Public-benefit Entities (CAPE) on a consultation paper issued by IPSASB 'Reporting on the Long Term Sustainability of Public Finances'.

7.2 The Board agreed that:

- a. it should not consider the consultation paper in detail; and
- b. CAPE should submit a response to IPSASB setting out its views on the consultation paper.

8 REGISTERED SOCIAL LANDLORDS (RSL) SORP

8.1 The Board considered a draft invitation to comment and exposure draft for an update to the National Housing Federation's 2008 Statement of Recommended Practice (SORP) 'Accounting for registered social landlords'.

8.2 The Board:

- a. noted the proposed accounting treatment of the acquisition of one registered social landlord by another for nil consideration, including the proposal that such transactions should be accounted for as gifts;
- b. agreed to consider the issue further in the light of responses to the consultation on the proposed update; and
- c. approved the invitation to comment and the exposure draft for publication.

9 REPORTS OF THE JANUARY MEETINGS OF THE IASB AND EFRAG'S
TECHNICAL EXPERTS GROUP (TEG)

9.1 The Board noted the reports of the 5 January meeting of the IASB, the 18-20 January joint meeting of the IASB and the FASB, and the 21 January conference call and 27-29 January meeting of EFRAG's Technical Experts Group (TEG).

10 NEXT MEETING

Thursday 18 March, 9.00 a.m.