



ACCOUNTING STANDARDS BOARD

**Minutes of a meeting of the Accounting Standards Board (2007:05)  
held on 19 April 2007 at Aldwych House, 71-91 Aldwych, London WC2**

PRESENT

Ian Mackintosh	Chairman
David Loweth	Technical Director and Secretary
Mike Ashley	
Edward Beale	
Marisa Cassoni (MC)	
Peter Elwin	
Roger Marshall	
Robert Overend	
Helen Weir	
Peter Westlake	
Geoffrey Whittington	

IN ATTENDANCE

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

Technical Staff: Michelle Crisp (MDC), Jennifer Guest, Seema Jamil-O'Neill, Hans Nailor, Alan O'Connor and Simon Peerless.

1 MINUTES

The minutes of the meeting held on 29 March 2007 (2007:04) were approved for publication on the ASB website.

2 CHAIRMAN'S UPDATE AND REPORTS

The Board received an oral report on the public meeting between members of the International Accounting Standards Board (IASB) and the European Financial Reporting Advisory Group (EFRAG) on 17 April 2007, which had discussed revenue recognition, equity and liability, business combinations, the conceptual framework, and measurement. The Board noted that there was as yet no consensus on the use of fair value in the acquisition of non-controlling interests in business combinations; that there was a difference of view on the process for revising the conceptual framework; and that concerns had been raised in relation to the IASB's Discussion Paper on Fair Value Measurement. The Board also noted that the IASB was trying to improve the range of user views it received.

### 3 STATEMENT OF PRINCIPLES FOR FINANCIAL REPORTING: PROPOSED INTERPRETATION FOR PUBLIC BENEFIT ENTITIES

3.1 The Board received a progress report on the further work that had been carried out since the publication of the Exposure Draft (ED) of the proposed Statement of Principles: Interpretation (SoP:I) for Public Benefit Entities in August 2005 and the Board's previous discussion in July 2006. It was noted that over 70 responses had been received to the ED and that there had been broad agreement on its proposals in many areas.

3.2 The Board noted that changes to the SoP:I were being proposed to address the main areas of disagreement. In the case of "other" specific commitments to provide public benefits, such as multi-year grants that were not performance-related, respondents had argued that an approach based on Financial Reporting Standard (FRS) 12 was more appropriate than the executory contract approach proposed in the ED. In the case of commitments arising from government's social policy obligations, the Board noted that this was a most challenging issue and one on which the International Public Sector Accounting Standards Board (IPSASB) expected to publish a consultation paper later in 2007.

3.3 A number of respondents had also disagreed strongly with aspects of the approach to capital grants proposed in the ED, possibly because respondents had viewed the proposed SoP:I as a standard rather than a statement of principles. The Board discussed this and other issues, including measuring the service potential of social housing assets, and made a number of suggestions for further work on the proposed SoP:I. A revised version of the proposed Interpretation would be considered at a future meeting.

### 4 IASB DISCUSSION PAPER: FAIR VALUE MEASUREMENT RESPONSES TO IASB AND EFRAG

4.1 The Board considered draft responses to the IASB and EFRAG on the IASB's Discussion Paper (DP) Fair Value Measurement. The Board was strongly of the view that the approach to fair value proposed in the IASB DP was appropriate only as guidance on the methodology to be used in arriving at a market-based exit price, where that was required by a standard, and not for any other versions of fair value that might have a role in financial reporting. The covering letter to the IASB, and the responses to individual questions, were to be strengthened to reflect that view. The final text of the response to the IASB would be agreed outside the meeting.

4.2 The Board commended the draft EFRAG response to the IASB and agreed its own response to EFRAG.

5 IASB EXPOSURE DRAFT: IFRS 1 (FIRST TIME ADOPTION OF IFRS) AMENDMENT: COST OF INVESTMENT IN SUBSIDIARY PROPOSED RESPONSES TO IASB AND EFRAG

5.1 The Board considered the further work that had been done to elicit views from the UK constituency on the proposed amendment to International Financial Reporting Standard (IFRS) 1 and noted that constituents strongly supported an amendment to International Accounting Standard (IAS) 27, even though such an amendment had not been included in the IASB's Exposure Draft (ED). Constituents were of the view that the amendments proposed in the ED would be useful to a small minority of entities, but that the proposals did not go far enough to resolve the problems that had been identified.

5.2 The Board agreed that the proposals in the ED went some way to meeting the problem but that an amendment to IAS 27 would have been preferable. The Board agreed the response to the IASB should be positive, as it provided some relief to UK constituents, but it should make clear it would have prepared an amendment to IAS 27. The response to the IASB would be revised to reflect those views.

5.3 The Board agreed its response to EFRAG without amendment.

6 ACCOUNTING FOR PENSIONS

The Board received a progress report on the pensions project. The aim of the project was to publish a Discussion Paper later in 2007. The Board noted that five discussion summaries had been published on the ASB's website. The Pensions Advisory Panel and the EFRAG working group were currently considering a number of topics relating to asset and liability measurement, disclosure, multi-employer plans and reporting by pension funds. The Board noted that there had been wide-ranging discussions on pension fund accounts, including the question of whether liabilities to pay benefits should be recognised and, if so, how they might be reported. Some had argued that, if a liability were to be recognised in the accounts of the pension fund, it might not be the same as the liability recognised in the accounts of the sponsoring entity. The Board also discussed issues relating to the assets of the pension fund, and the relevance of general purpose financial statements to pension fund beneficiaries.

7 IASB PROJECT ON INSURANCE CONTRACTS

The Board received an update on the IASB's project on insurance contracts, noting that an IASB discussion paper (DP) on the subject was soon to be published. The Board agreed that the subject of insurance was technical but it would nonetheless be important to ensure that responses to the DP came from constituents outside the insurance industry, as well as from the industry itself. The Board considered a number of possible methods of eliciting those views and decided that it would consider an issues paper as soon as possible after the publication of the DP. It would

then take a decision on the precise consultation method to be adopted. It would probably be necessary to issue information on the day of publication of the ED in order to alert the constituency to the general approach the Board proposed to take.

#### 8 URGENT ISSUES TASK FORCE: RE-APPOINTMENTS

The Board agreed the re-appointments of Peter Holgate and Peter Chidgey to the Urgent Issues Task Force, each for a further term of two years ending on 30 April 2009.

#### 9 IASB/FASB CONCEPTUAL FRAMEWORK PROJECT

The Board received an update on the joint IASB/Financial Accounting Standards Board (FASB) conceptual framework project and, specifically, on the discussions at the March and April meetings of the IASB. Amendments had been approved to the measurement plan at the March meeting and an exposure draft was to be produced at the end of Milestone III. At the April meeting, the IASB had agreed some changes to the chapter on qualitative characteristics, which fell within a hierarchy of necessary and enhancing qualitative characteristics. The Board noted that the IASB did not propose to consider public sector entities at any stage in the project; not-for-profit entities were to be considered towards the end of the project. The joint IASB/FASB meeting in April would consider a paper on measurement.

#### 10 PAAinE PROPOSALS ON LIABILITIES AND EQUITY: LOSS-ABSORBING CAPITAL

Under the Pro-active Accounting Activities in Europe (PAAinE) initiative, EFRAG and the German standard-setter (DRSC) had developed a draft of a proposed Discussion Paper (DP): Distinguishing between liabilities and equity – Preliminary views on the classification of liabilities and equity under IFRS. The draft paper proposed a ‘loss absorption’ approach to the distinction between liabilities and equity. It was to be presented to the joint IASB/FASB meeting on 23 April. The Board agreed that equity/liability in international standards raised difficult issues but that the proposed Discussion Paper could be a useful contribution to the debate.

#### 11 REPORT ON MARCH MEETING OF THE IASB & IASB WORK PLAN

The Board noted a report on the March meeting of the IASB and the latest IASB work plan.

#### 12 ANY OTHER BUSINESS

The Board noted that the Committee of European Securities Regulators (CESR) had published its first extract from its database of enforcement decisions taken by the EU national enforcers participating in European Enforcers Co-ordination Sessions (EECS).

13 NEXT MEETING

Thursday 10 May, 2007, at 9.00 a.m.