



ACCOUNTING COUNCIL

**Minutes of the Sixth Meeting of the Accounting Council (2012:06)
held on 15 November 2012 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

Roger Marshall	Chairman
Richard Barker	
Peter Elwin	
Ken Lever	
Robert Overend	
Andy Simmonds	
Pauline Wallace	

IN ATTENDANCE

Michelle Sansom	Director of Accounting
Matt Blake	HMRC
Michael Kavanagh	IAASA Observer
Andrew Lennard	Director of Research
Melanie McLaren	Executive Director, Codes and Standards
Phil Trotter	H M Treasury
Simon Peerless	Minutes Secretary

FOR ITEM 1 ONLY

Stephen Cooper	IASB
Henry Rees	IASB
Patrina Buchanan	IASB
Nick Land	Codes and Standards Committee
Olivia Dickson	Codes and Standards Committee

Technical Staff: Jenny Carter, Grant Chatterton, Jennifer Guest, Deepa Raval, and Joanna Spencer.

Apologies were received from Nick Anderson and Edward Beale.

1 LEASES – IASB PRESENTATION

- 1.1 The Council received a presentation from the IASB on its leasing project and the proposals in the forthcoming exposure draft.
- 1.2 The Chairman thanked the IASB Board member and staff for attending the meeting and for their presentation.

2 LEASES – COUNCIL DISCUSSION

- 2.1 The Council discussed the proposals outlined by the IASB.

- 2.2 The Council expressed the view that:
- a. it broadly agreed with the overall aims of the proposals and that the needs of users would be better met by the new standard rather than by enhanced disclosure under the existing standard IAS 17;
 - b. the introduction of a separate model for leases where the lessee consumes an insignificant proportion of the leased asset added complexity to the proposals and needed rigorous justification; and
 - c. it was essential for a cost/benefit analysis to be included in the forthcoming exposure draft.
- 2.3 The Council agreed to submit a letter to the IASB expressing these views.

3 MINUTES

- 3.1 The minutes of the meeting held on 25 October 2012 (2012:05) were agreed and approved for publication.

4 DIRECTOR OF ACCOUNTING REPORT

- 4.1 The Council received a report from the Director of Accounting on developments relating to the IASB, EFRAG, the European Commission and the FRC.
- 4.2 The Council noted:
- a. recent and forthcoming IASB exposure drafts
 - b. the issue of proposals for the Standards Advisory Forum;
 - c. the recent World Standard Setters meeting;
 - d. the issue of the Enhanced Disclosure Task Force report;
 - e. the recent meeting of EFRAG TEG;
 - f. the approval by the FRC Board of papers on prudence and the FRC policy towards IFRS; and
 - g. proposed FSA disclosures for banks..

5 ACCOUNTING RESEARCH ACTIVITIES AND DEVELOPMENTS

- 5.1 The Council received a report from the Director of Research.
- 5.2 The Council noted:
- a. progress on the projects on the disclosure framework and share based payment;
 - b. proposals for discussions with investors as part of the projects on intangible assets and stewardship.

6 FUTURE OF FINANCIAL REPORTING IN THE UK AND ROI

6.1 The Council resumed its re-deliberation of draft standard FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

6.2 The Council:

- a. noted that FRS 100 'Application of Financial Reporting Requirements' and FRS 101 'Reduced Disclosure Framework' would be issued the following week;
- b. tentatively agreed to recommend to the FRC that early application of FRS 102 would be permitted for accounting periods ending on or after 31 December 2012;
- c. tentatively agreed to recommend to the FRC amended drafting for inventories held for distribution, to apply to both public benefit entities and other entities;
- d. agreed not to amend the definition of a 'financial institution' to exclude private equity limited liability partnerships; and
- e. proposed drafting amendments to the text of FRS 102 for staff to consider and noted the timetable for the finalisation of the FRS.

7 CONCEPTUAL FRAMEWORK

7.1 The Council considered a proposed strategy for influencing the IASB's project on the Conceptual Framework.

7.2 The Council:

- a. agreed that views should be sought by the use of short bulletins, and that these should emphasise the practical implications of aspects of the Framework rather than focusing on technical analysis; and
- b. expressed the view that a framework that focused exclusively on assets and liabilities led to outputs that did not meet user needs.

7.3 The Council commissioned:

- a. a revised paper on the strategy;
- b. a paper considering issues arising from a framework based on assets and liabilities; and
- c. a paper setting out proposed topics to be covered in bulletins.

8 INCOME TAX

8.1 The Council received an update on the EFRAG Discussion Paper 'Improving the Financial Reporting of Income Tax', including consideration of the responses received and the proposed next steps.

9 OPERATING SEGMENTS

9.1 The Council approved a response to the IASB on its Request for Information on IFRS 8 'Operating Segments'.

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10 HEDGE ACCOUNTING

- 10.1 The Council received an update on the IASB's review draft on general hedge accounting.
- 10.2 Council members drew to staff's attention certain possible areas of concern with the draft in relation to the withdrawal of implementation guidance, cash flow hedging and currency basis.
- 10.3 The Council commissioned a draft response to the IASB for consideration at a future meeting.

11 NEXT MEETING

Thursday 6 December at 9.00 a.m.