



ACCOUNTING STANDARDS BOARD

**Minutes of a meeting of the Accounting Standards Board (2007:04)
held on 29 March 2007 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

Ian Mackintosh	Director
David Loweth	Technical Director and Secretary
Edward Beale	
Peter Elwin	
Roger Marshall	
Robert Overend	
Peter Westlake	
Geoffrey Whittington	

IN ATTENDANCE

Paul Boyle	CEO, FRC
Michael Kavanagh	IAASA Observer
David Tyrrall	DTI (for Items 1 to 3)
David Watkins	HM Treasury
Roger Nicklen	Minutes Secretary

Technical Staff: Michelle Crisp (MDC), Peter Godsall and Jennifer Guest.

APOLOGIES FOR ABSENCE were received from Mike Ashley (who had sent in written comments), Marisa Cassoni and Helen Weir.

The Chairman welcomed Edward Beale, newly appointed Board member, to his first meeting and also welcomed Paul Boyle, Chief Executive of the Financial Reporting Council.

1 MINUTES OF MEETING

The minutes of the meeting held on 1 March 2007 (2007:03) were agreed, subject to one minor correction, and approved for publication.

2 CHAIRMAN'S UPDATE AND REPORTS

2.1 The Board was informed that the proposed Financial Reporting Council (FRC) statement on 'True and Fair' was being reviewed in the light of comments received and was now likely to be published as a draft for consultation.

2.2 The Board noted the proposed commencement timetable for the Companies Act 2006.

2.3 The Board had a preliminary discussion on whether its Reporting Statement 'Operating and Financial Review' would need to be revised in the light of the Business Review provisions of the Companies Act 2006.

2.4 The Board was informed that the National Standard Setters (NSS) meeting on 24-25 March had been a well attended and very successful event. A number of topics of common concern had been addressed, including a very productive joint session with the staff of the International Accounting Standards Board (IASB) and of the International Public Sector Accounting Standards Board (IPSASB) dealing with their respective conceptual framework projects. It had been agreed that NSS would continue to meet twice yearly with membership open to standard-setters actively contributing to research projects.

2.5 The Board noted the agenda topics for the joint meeting between the Chairs of the European Financial Reporting Advisory Group (EFRAG) Technical Experts Group (TEG), the standard setters from the UK, France and Germany and the IASB to be held on 17 April.

2.6 The Board was informed that the forthcoming new arrangements for European Union (EU) adoption of International Financial Reporting Standards (IFRS) could considerably extend the time taken for IFRS to be endorsed for use in the EU.

2.7 The Board noted the activity and status reports and approved the latter for publication on the website.

3 DTI CONSULTATION ON UK IMPLEMENTATION OF AMENDMENTS TO THE EU ACCOUNTING DIRECTIVES

3.1 The Board discussed the Department of Trade and Industry's (DTI) proposals on UK implementation of amendments to the Accounting Directives, and agreed that a response should be prepared expressing disappointment about the absence of a proper discussion on the purpose of small company financial statements and the rationale for exempting them from related party disclosures, expressing doubts about exempting unlisted public companies from applying accounting standards on related party disclosures, questioning the rationale for exempting companies reporting under the Directive from the requirements of IAS 24 'Related Party Disclosures' when it was considered an appropriate standard that gave a true and fair view for companies reporting under IFRS and drawing attention to the interaction with International Standards of Auditing (ISAs).

3.2 The Board also considered further the implications of the IASB's exposure draft of amendments to IAS 24 and the implications for a revised UK standard and agreed that an invitation to comment on the Exposure Draft should be prepared that included proposals to:

- a. replace FRS 8 with a standard based on IAS 24 (as amended following the IASB's current proposals),
- b. retain the present FRS 8 disclosure exemptions (for 100% subsidiaries and on disclosure of directors' emoluments), and

- c. retain the requirement to disclose names of related parties.

4 PROPOSED CONSULTATION PAPER ON THE IASB'S INTERNATIONAL FINANCIAL REPORTING STANDARD FOR SMALL AND MEDIUM-SIZED ENTITIES.

4.1 The Board further considered a draft invitation to comment on the IASB Exposure Draft of an IFRS for Small and Medium-sized Entities (IFRS SME) and commissioned further work to provide a clearer focus on getting constituents' views on its use as a standard for middle-tier companies, its use as a replacement for the Financial Reporting Standard for Smaller Entities (FRSSE), any changes that would be needed to make it suitable as a replacement for the FRSSE and the specific problems that would arise from its use for preparers and users of financial statements.

4.2 The Board agreed that a revised Consultation Paper should be prepared and cleared with members outside the meeting in order not to delay consultations with constituents.

5 FRS 20 'SHARE-BASED PAYMENT'

5.1 The Board considered amending FRS 20 (IFRS 2) 'Share-based Payment' to address an issue identified by the Urgent Issues Task Force (UITF) arising when implementing UITF Abstract 44 (IFRIC 11) 'FRS 20 (IFRS 2) Group and Treasury Share Transactions'. The Abstract required options over a parent company's shares granted by a subsidiary to be treated as cash-settled in the subsidiary's accounts and as equity settled in the group accounts.

5.2 The Board concluded that there were not sufficient grounds for creating a divergence from IFRS in this converged standard.

6 GOING CONCERN

6.1 The Board discussed the adequacy of the disclosure requirement in accounting standards in relation to the going concern assumption as part of a Financial Reporting Council (FRC) internal review of the lessons to be learned from the Mayflower case. The Board also discussed the relationship between accounting standards and guidance to directors on the requirement in the Combined Code on Corporate Governance (Combined Code) to make a statement in the directors' report on the going concern assumption.

6.2 The Board:

- a. concluded that there was no requirement for it to provide guidance on an alternative basis of accounting when it was considered the going concern basis was not appropriate;

- b. noted that they had no responsibilities for guidance to directors in relation to the Combined Code but endorsed a proposal for a staff review, jointly with the FRC, of the disclosure requirements in relation to going concern in FRS 18 'Accounting Policies' and in the Reporting Statement 'Operating and Financial Review' in relation to the 1994 ICAEW publication 'Guidance for directors of listed companies in the UK' (the Guidance);
- c. agreed that there was no case for additional disclosure requirements where there was an apparent material uncertainty; and
- d. agreed to propose to the International Auditing and Assurance Standards Board that International Standard on Auditing 570 'Going Concern' be aligned with the going concern disclosure requirements of International Accounting Standard 1 'Presentation of Financial Statements'.

7 STATEMENT OF PRINCIPLES FOR FINANCIAL REPORTING: INTERPRETATION FOR PUBLIC BENEFIT ENTITIES

The Board deferred consideration of the text of its proposed Statement of Principles for Financial Reporting: Interpretation for Public Benefit Entities.

8 PERFORMANCE REPORTING

The Board discussed the Pro-active Accounting Issues in Europe (PAAinE) paper 'The Performance Reporting Debate: What (if anything) is wrong with the good old income statement?' and approved a response.

9 IASB/FASB CONCEPTUAL FRAMEWORK

The Board deferred consideration of a progress report on the IASB/FASB Conceptual Framework project.

10 REVENUE RECOGNITION

The Board deferred consideration of a forthcoming PAAinE Discussion Paper 'Revenue Recognition: Towards a European View'.

11 REPORTS ON EFRAG TEG AND IASB MEETINGS

The Board noted reports on the February meetings of EFRAG's Technical Experts Group (TEG) and the IASB and the March meetings of TEG and EFRAG's Consultative Forum of Standard Setters.

12 NEXT MEETING

Thursday 19 April, 9.00 a.m.