



ACCOUNTING STANDARDS BOARD

**Minutes of a meeting of the Accounting Standards Board (2006:10)
held on 19 October 2006 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

Ian Mackintosh	Chairman
David Loweth	Secretary and Acting Technical Director
Mike Ashley	
Peter Elwin	
Roger Marshall	
Robert Overend	
Helen Weir	
Peter Westlake	
Geoffrey Whittington	

IN ATTENDANCE

Andrew Lennard	Director of Research
Ben Higgin	DTI (for Items 5 to 12)
Roger Nicklen	Minutes Secretary

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

APOLOGIES FOR ABSENCE were received from Marisa Cassoni.

1 MINUTES OF MEETING

The minutes of the meeting held on 14 September (2006:09) were agreed and approved for publication.

2 CHAIRMAN'S UPDATE AND REPORTS

2.1 The Board held a preliminary discussion on elements of the Financial Reporting Council's (FRC) draft Strategic Framework related to the ASB's responsibilities.

2.2 The Board noted the discussions at the September meetings of the Commission Round Table on Consistent Application of International Financial Reporting Standards (IFRS), of the International Accounting Standards Board (IASB) with World Standard-Setters and of the National-Standard-setters group.

2.3 The Board noted the publication of the US Financial Accounting Standards Board (FASB) Statement on Fair Value Measurement which was to form the basis for an IASB Discussion Paper.

2.4 The Board received an oral report on the latest discussions in the European Financial Reporting Advisory Group (EFRAG).

2.5 The Board noted the status report and activity report.

3 RESPONSES TO IASB AND EFRAG IASB PRELIMINARY VIEWS DISCUSSION PAPER: 'THE OBJECTIVE OF FINANCIAL REPORTING AND QUALITATIVE CHARACTERISTICS OF DECISION-USEFUL FINANCIAL REPORTING INFORMATION'

3.1 The Board considered its response to the IASB's Preliminary Views Discussion Paper 'The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information'.

3.2 The Board confirmed its fundamental concerns about: the choice of a single objective for financial reporting focussed on decision-usefulness and the absence of stewardship as an objective; the lack of evidence for identifying the primary user group as 'present and potential investors, creditors and their advisers' and of reasons for choosing the entity perspective; the application of the framework to financial reporting and not just financial statements, without a definition of what that included; and reliability having been replaced by faithful representation with verifiability as a component but without any reference to the importance of substance over form. These concerns were such that it was not persuaded that the Preliminary Views Discussion Paper was an appropriate basis on which to prepare an exposure draft. The Board also expressed concerns about: cash flow generation alone not adequately covering the needs of the full range of stakeholders; the treatment of constraints and their importance in ensuring standard-setting took account of reality; and limiting the consideration of the framework at this stage to profit-oriented business entities in the private sector.

3.3 The Board agreed that the draft response to IASB should be reworked to give a sharper focus to its concerns and should be circulated for clearance outside the meeting.

3.4 The Board considered a response to EFRAG's draft comment letter, which expressed similar concerns to its own. The Board approved a response disagreeing with the call for the framework to be mandatory for all standard-setting but otherwise supporting the EFRAG draft.

3.5 The Board also agreed to publication of and publicity for its response to the Preliminary Views Discussion Paper.

3.6 The Board took note of the latest progress on the other elements of the joint IASB/FASB conceptual frameworks project. The Board received a draft Discussion Paper prepared by the Conseil National de la Comptabilité (CNC), the French standard-setter leading the conceptual framework project in the EFRAG initiative 'Pro-active Accounting Activities in Europe' (PAAinE) and noted it as a useful contribution to the debate about future improvements to the framework. The Board also took note that the approvals process for PAAinE papers would no longer require formal approval by each member standard-setter: approval by the Technical Expert Group (TEG) of EFRAG would still be required but national standard-setters would be required only to indicate whether they were broadly content.

4 FRS 17: RETIREMENT BENEFITS

4.1 The Board considered the responses to its exposure draft of proposed amendments to FRS 17 'Retirement Benefits' and a reporting statement 'Retirement Benefits - Disclosures' that would have the effect of replacing the disclosure requirements of FRS 17 with those in IAS 19 'Employee Benefits' and introducing non-mandatory disclosures representing best practice financial reporting in relation to for defined benefit pensions schemes.

4.2 The Board discussed the concerns raised about the loss of some disclosure requirements from FRS 17 and questions raised about other differences between FRS 17 and IAS 19, confirmed its decision to replace the disclosure requirements in FRS 17 with those in IAS 18 without amendment (other than in relation to differences in terminology) and decided to continue to confine the project to improvements in disclosures.

4.3 The Board confirmed its decision to issue a reporting statement and agreed to clarify in the reporting statement that it could be applied by entities reporting under IFRS and to include in it some further disclosures that would otherwise have been lost.

4.4 The Board deferred a decision on including in the reporting statement disclosure of the buy-out amount of a pension scheme and commissioned further work on the legal requirements for disclosure of scheme information to employees. The Board also deferred a decision on the effective date for the amended FRS 17 and requested further advice on the key implications for preparers of the proposed changes to FRS 17.

5 HERITAGE ASSETS

5.1 The Board considered a revised exposure draft on heritage assets and suggested a number of amendments, principally to make clear that a valuation approach was required unless impracticable, to explore a requirement that the accounting policy should be applied at the level of an individual collection, to focus the invitation to comment on whether the proposals would improve the quality of

financial reporting and to include the presumption that buying and selling activity was evidence of valuation being practicable.

5.2 The Board agreed that an exposure draft should be published, subject to agreement on the final text, as a proposal for a separate standard rather than as an amendment to an existing standard.

6 RESPONSE TO IASB AMENDMENT TO IAS 32: FINANCIAL INSTRUMENTS PUTTABLE AT FAIR VALUE

6.1 The Board considered a draft response opposing the IASB's proposed amendment to IAS 32 which would allow certain financial instruments, puttable at fair value, to be reclassified from liabilities to equity.

6.2 The Board approved the response to IASB.

7 UITF ABSTRACT 43 'THE INTERPRETATION OF EQUIVALENCE FOR THE PURPOSES OF SECTION 228A OF THE COMPANIES ACT 1985'

7.1 The Board's approval was sought of a UITF Abstract providing guidance on how companies might reach a judgement on whether an exemption was allowed under Section 228A of the Companies Act 1985.

7.2 The Board approved UITF Abstract 43.

8 AMENDMENT TO THE FRSSSE

8.1 The Board considered further the treatment of share-based payments in the Financial Reporting Statement for Smaller Entities (FRSSE) and concluded that the proposal to allow disclosure only for equity-settled share-based payments could not be justified.

8.2 The Board approved publication of the fifth edition of the FRSSE incorporating the key principles of FRS 20 'Share Based Payments'. The Board agreed that the revised FRSSE should make clear that where the fair value of equity-settled share-based payment transactions could not be reliably determined, intrinsic value should be used.

9 ASB NOMINEE ON THE FINANCIAL REPORTING ADVISORY BOARD (FRAB)

9.1 The Board approved Ian Mackintosh as the Board's nominee to the FRAB in place of Mike Ashley.

10 REPORTS OF IASB AND EFRAG TEG MEETINGS

10.1 The Board took note of the reports of the IASB's September meeting and of the August/September meeting of EFRAG's Technical Experts Group (TEG).

11 AMENDMENTS TO THE EU ACCOUNTING DIRECTIVES

11.1 The Board discussed the potential implications for UK standards of the latest Amendments to the EU Accounting Directives in relation to off-balance sheet arrangements and related party transactions and commissioned further advice.

12 NEXT MEETING

Thursday 9 November, 9.00 a.m.