

## ACCOUNTING COUNCIL

**Minute of the Meeting of the Accounting Council of the FRC held on 18 July 2013 at 8.30am, in the FRC Boardroom, Aldwych House, 71-91 Aldwych, London, WC2B 4HN.**

### PRESENT:

Roger Marshall	Chairman
Nick Anderson	Council Member
Anthony Appleton	Council Member
Richard Barker	Council Member
Edward Beale	Council Member
Chris Buckley	Council Member
Ken Lever	Council Member
Liz Murrall	Council Member
Pauline Wallace	Council Member

### IN ATTENDANCE:

Francesca Chittenden	Council Secretary
Jonathan Compton	Project Manager
Stephen Cooper	IFRS (minutes 1 & 2 only)
Annette Davis	Project Director
John Instance	Project Director, Actuarial Team (minutes 1 & 2 only)
Seema Jamil-O'Neill	Project Director
Michael Kavanagh	IAASA Observer
Andrew Lennard	Director of Research
Helen Lloyd	Project Director (by telephone minute 7 only)
Melanie McLaren	Executive Director
Andrea Pryde	IFRS (minutes 1 & 2 only)
Deepa Raval	Project Director
Alison Ring	HMRC Observer
Phillip Trotter	HM Treasury Observer (for Karen Sanderson)
Michelle Sansom	Director of Accounting

### 1. Apologies

- 1.1 Apologies were received from Andy Simmonds (Council Member).

### 2. IASB Exposure Draft: Insurance Phase II

- 2.1 The Council received a presentation from Andrea Pryce and Stephen Cooper, IASB on the ED 'Insurance Contracts'.
- 2.2 The Council noted the various concerns that had been raised and considered the potential impact of those concerns.

- 2.3 The Council noted that it would consider a draft FRC response at its September meeting and an outreach event is scheduled for early October 2013 and that many other events were also being organised outside of the FRC where it would elicit further views.

### **3. Minutes of the previous meeting and action log**

- 3.1 The minutes of the meeting held on 20 June 2013 (2013:06) were agreed and approved for publication subject to a strengthening of the view expressed in paragraph 8.
- 3.2 The Council reviewed and noted that all actions on the action log were in progress or on the agenda of the September meeting. Michelle Sansom (MS) confirmed that FRS103 had been approved for publication but that there had been a delay in printing, it would be published at the end of the following week.

### **Director's reports**

#### **4. Director of Accounting**

- 4.1 The Council received an update from the Director of Accounting on developments relating to the International Accounting Standards Board (IASB), international accounting, the European Financial Reporting Group (EFRAG), the European Commission and the UK.
- 4.2 The Council reaffirmed its advice that as a valid interpretation the Draft Endorsement Advice on IFRIC interpretation of 21 'Levies' should be endorsed, however, the Council highlighted that there is a fundamental problem with the underlying standard IAS37 from which it is drawn.
- 4.3 The Council approved the re-appointment of Geoff Whittington to the Committee for Accounting for Public-benefit Entities (CAPE).

#### **5. Director of Research Report**

- 5.1 The Council noted the report which provided an update on accounting research activities and developments since the last meeting.

### **Annual Reports**

#### **6. Narrative reporting**

- 6.1 The Council reviewed the revised Exposure Draft (ED) of the Narrative Reporting guidance.
- 6.2 The Council discussed the feedback and requests that had been received from various sources. Following this discussion a number of amendments were proposed,

subject to these amendments the Council agreed its advice to the Codes & Standards Committee, to publish in August with a three month consultation period.

## **UK GAAP**

### **7. Hedge Accounting in FRS 102 – drafting of section 12**

- 7.1 The Council discussed the draft ED which had been revised following the Council's discussion in May.
- 7.2 Through discussion a number of amendments and concerns were suggested including the suggestion that further thought be given to the section on effectiveness testing.
- 7.3 The Council agreed to review a revised draft at its next Meeting.

### **8. Financial Statements of Authorised Funds Exposure Draft (IMA SORP ED)**

- 8.1 The Council considered the draft SORP and noted that the key points arising from the UK GAAP TAG review had been addressed within the draft. Accordingly, the Council approved the IMA SORP ED for issue.

### **Further and Higher Education Institutions Exposure Draft (FEHE SORP ED)**

- 8.2 The Council considered the draft SORP and consultation questions and noted that issues raised by the Committee for the Accounting for Public-Benefit Entities (CAPE) had been dealt with accordingly.
- 8.3 The Council highlighted a number of issues within the draft and suggested a number of amendments, including a request that text prohibiting early adoption of the SORP be taken out and that it be clarified that as long as users do not accept policies in FRS102 that do not conflict with the substance of the SORP, early adoption of FRS102 would be acceptable.

## **INFLUENCING**

### **9. IASB Exposure Draft ED/2013/6 Leases**

- 9.1 The Council considered the paper which set out the EFRAG TEG's draft comment letter, a summary of the comments made at the FRC hosted Leasing discussion forum and the joint letter the FRC and the DRSC sent to the IASB in December 2012 expressing concerns about the leasing project.
- 9.2 Following a discussion and consideration of EFRAG's position the Council reaffirmed its view that although it agrees with the basis of the ED the proposals need to be simplified. It suggested staff draft a response on this basis.

## **10 Conceptual Framework: Bulletins**

- 10.1 AL introduced three draft bulletins for consideration by the Council, Performance Reporting, Accountability and Measurement.

#### Performance Reporting

- 10.2 The Council suggested that the bulletin was not engaging and that it would not encourage a user to enter the broader debate around the conceptual framework. The Council made a number of suggestions to address this issue and authorised the Chairman, in consultation with the partners, to finalise the text.

#### Accountability

- 10.3 The Council noted that EFRAG TEG were broadly content with the bulletin and that subject to minor amendments to reflect the publication of the discussion paper, the bulletin would be published shortly. The Council authorised the Chairman, in consultation with the partners, to finalise the text.

#### Measurement

- 10.4 The Council noted that there was a significant amount of work yet to be done on the bulletin and that a revised version would be brought back to the Council for review at a later date.

### **11 The role of the Business Model in Financial Statements**

- 11.1 AL introduced the research paper which had been developed in partnership with EFRAG and the French Standard setter. A small number of amendments were requested and subject to those amendments the Council approved the research paper for publication.
- 11.2 The Council suggested that moving forward the FRC should ascertain the objectives, length and structure of documents it agrees to develop in partnership with other organisations at the outset to ensure the end product meets the expectations of all parties involved.

### **12. Any other business**

- 12.1 In response to a Member query MS clarified that any queries or issues which might require investigation / action by the FRC should be emailed to her directly and that her email address was on the FRC website.

### **13. Next meeting**

- 13.1 12 September 2013 at 09.00am.