



ACCOUNTING STANDARDS BOARD

**Minutes of a meeting of the Accounting Standards Board (2008:09)  
held on 16 July 2008 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

Ian Mackintosh	Chairman
David Loweth	Technical Director
Nick Anderson	
Mike Ashley	
Edward Beale	
Marisa Cassoni	
Robert Overend	
Andy Simmonds	
Geoffrey Whittington	

IN ATTENDANCE

Andrew Lennard	Director of Research
Steve Leonard	Project Director, APB (for Item 10)
David Tyrrall	BERR
David Watkins	HM Treasury
Ian Wright	Director of Corporate Reporting, FRC (for Item 10)
Roger Nicklen	Minutes Secretary

Technical Staff: Jennifer Guest, Seema Jamil-O'Neill and Alan O'Connor.

APOLOGIES FOR ABSENCE were received from Peter Elwin and Ken Lever.

1 MINUTES OF MEETING

1.1 The minutes of the meeting held on 19 June 2008 (2008:08) were agreed, subject to one amendment, and approved for publication.

2 CHAIRMAN'S UPDATE AND REPORTS

2.1 The Board was informed that the consultation paper on the first part of the International Accounting Standards Committee Foundation (IASCF) constitution review was still awaited. It was expected to have a deadline for comments of 20 September.

2.2 The Board noted the publication of:

a) The Committee of European Securities Regulators (CESR) statement for consultation on 'The use of fair value accounting to measure illiquid financial instruments in listed companies' which had a deadline for comment of 12 September.

b) A British Banking Association (BBA) document entitled 'Turmoil and Transparency', summarising the recommendations of a number of reports on the current market turmoil, in particular that issued by the Financial Stability Forum (FSF) and setting out the BBA's position on them for banks to consider in preparing their 2008 half-year reports.

c) A joint statement by the Chairs of the European Financial Reporting Advisory Group (EFRAG) and of the European standard setters CNC (France), DRSC (Germany) and ASB on the accounting issues arising from the credit crisis indicating that they would keep a close watch on events and seek to work with the IASB on any appropriate action.

2.3 The Board was informed that the European Commission's Accounting Regulatory Committee had voted to support European Union endorsement of the revisions to IAS 1 'Presentation of Financial Statements', IAS 23 'Borrowing Costs' and IFRS 2 'Share-based Payment' and of IFRIC 13 'Customer Loyalty Programmes' and IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction'.

2.4 The Board received oral briefings on the most recent meeting of the European Financial Reporting Advisory Group (EFRAG) Technical Experts Group (TEG) and on progress towards publication of a consultation document on the proposed enhancements to the governance structure and resources of EFRAG.

2.5 The Board noted publication of the Financial Reporting Council's consultation on future funding.

2.6 The Board was informed that the Urgent Issues Task Force (UITF) would be considering publication of an Abstract to parallel IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' and the IASB's proposals for Annual Improvements.

2.7 The Board noted that any delay beyond Q4 2008 in publication by the IASB of the amended IAS 24 'Related Party Disclosures' could impact on its intention to introduce IAS 24 into UK GAAP in time to resolve the inconsistency between company law and the current FRS 8 'Related Party Disclosures'. An alternative strategy might then be needed. The Board also noted that the inconsistency was potentially already an issue for entities with short reporting periods and agreed that the matter should be flagged up in the July issue of Inside Track.

2.8 The Board was also informed that China had decided to join the National Standard Setters from 2009.

2.9 The Board noted the status report and activity report and approved the status report for publication.

### 3 DISTINGUISHING LIABILITIES AND EQUITY

3.1 The Board considered its responses to:

- a) the IASB Discussion Paper (DP) 'Financial Instruments with Characteristics of Equity',
- b) the US Financial Accounting Standards Board (FASB) Preliminary Views (PV) paper with the same title,
- c) EFRAG's draft comment letter on the IASB DP and FASB PV, and
- d) the Pro-Active Accounting Issues in Europe (PAAinE) Discussion Paper 'Distinguishing between liabilities and equity'.

3.2 The Board approved a response to the IASB covering both its DP and the FASB PV supporting the IASB taking this project onto its agenda, raising a number of concerns, and encouraging the IASB to widen the scope of the project and to address the issues at a conceptual level.

3.3 The Board also approved responses to EFRAG on its draft comment letter and on the PAAinE Discussion Paper.

### 4 AMENDMENT TO FRS 25 (IAS 32) 'FINANCIAL INSTRUMENTS: PRESENTATION - PUTTABLE FINANCIAL INSTRUMENTS AND OBLIGATIONS ARISING FROM LIQUIDATION'

4.1 The Board approved publication of an amendment to FRS 25 (IAS 32) 'Financial Instruments: Presentation - Puttable Financial Instruments and Obligations Arising from Liquidation'.

### 5 IASB TECHNICAL PLAN AND EFRAG COMMENT LETTER ON THE IASB/FASB MEMORANDUM OF UNDERSTANDING

5.1 The Board considered EFRAG's draft comment letter on the IASB/FASB Memorandum of Understanding (MoU) and approved a supportive response suggesting that concern should also be expressed about the burden on constituents that would result from the volume of consultations implied by the IASB's Technical Plan and that reference should be made to the need to give greater priority to the conceptual framework project.

5.2 The Board also agreed to give further consideration to a number of more detailed concerns it had on the IASB's Technical Plan with a view to them being raised at the next meeting of EFRAG representatives with the IASB.

### 6 MEASUREMENT

6.1 The Board considered a preliminary draft of a position paper on measurement that was designed to contribute to the measurement debate at a conceptual level by offering potential alternatives to fair value.

6.2 The Board asked for the paper to be further developed in relation to the treatment of liabilities and to the context in which it was being set and resubmitted for further Board consideration.

## 7 AGENDA ISSUES FOR THE NATIONAL STANDARD SETTERS MEETING IN SEPTEMBER

7.1 The Board was informed of the agenda suggestions for the meeting of National Standard Setters (NSS) to be held in Paris on 10 September and consulted on proposals for a joint project between the ASB and DRSC (the German standard setter) on accounting for tax.

7.2 The Board took note of the agenda proposals and approved the proposals for a joint project on accounting for tax.

## 8 AMENDMENTS TO IAS 19 'EMPLOYEE BENEFITS'

8.1 The Board considered the IASB's Discussion Paper (DP) 'Preliminary Views on Amendments to IAS 19 'Employee Benefits'' together with a very preliminary draft of a response to the IASB.

8.2 The Board agreed to consider its response further at a future meeting.

## 9 IPSASB CONSULTATION PAPERS ON SOCIAL BENEFITS

9.1 The Board discussed the following papers from the International Public Sector Accounting Standards Board (IPSASB):

- a) Exposure Draft 34 'Social Benefits: Disclosure of cash transfers to individuals or households';
- b) consultation paper 'Social Benefits: Issues in Recognition and Measurement'; and
- c) a project brief on Long-term Fiscal Sustainability Reporting.

9.2 The Board noted that there was a case for considering, at an appropriate stage, the extent of its remit in relation to public sector accounting standards.

9.3 The Board discussed the case for issuing a disclosure only standard and confirmed its support in principle. The Board also confirmed its support for further research on recognition and measurement issues.

9.4 The Board approved a response to IPSASB covering Exposure Draft 34 and the consultation paper. The Board also approved a supportive response to the IPSASB project brief on long term fiscal sustainability reporting.

## 10 GOING CONCERN

10.1 The Board considered an initial draft of a consultation draft of proposed Financial Reporting Council guidance updating the guidance for directors on going

concern first issued in 1994 (on which the Auditing Practices Board was also to be consulted).

10.2 The Board made a number of suggestions for improvement, particularly in relation to comparability between the guidance and auditing standards.

#### 11 AIC STATEMENT OF RECOMMENDED PRACTICE 'FINANCIAL STATEMENTS OF INVESTMENT TRUST COMPANIES'

11.1 The Board considered an exposure draft of the Association of Investment Companies (AIC) Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies'.

11.2 The Board noted that the AIC was proposing that the scope of the SORP should be extended to cover venture capital trusts.

11.3 The Board also noted that the invitation to comment was raising the issue of whether convertible ('C') shares (which the AIC considered were essentially equity) met the definition of a liability given that they appeared not to meet the conditions for an equity instrument under FRS 25 (IAS 32) 'Financial Instruments: Disclosure and Presentation'.

11.4 The Board approved publication of the exposure draft subject to the addition of a question in the invitation to comment about the implications of classification as equity or liability.

#### 12 REAPPOINTMENTS TO THE COMMITTEE ON ACCOUNTING FOR PUBLIC-BENEFIT ENTITIES AND THE COMMITTEE ON ACCOUNTING FOR SMALLER ENTITIES

12.1 The Board approved the re-appointment of Sara Harvey and Professor Mike Page to the Committee on Accounting for Smaller Entities (CASE) for a period of two years to 30 June 2010.

12.2 The Board approved the re-appointment of Ian Carruthers and John Stanford to the Committee on Accounting for Public-benefit Entities (CAPE) for a period of two years to 30 June 2010.

#### 13 REPORTS OF THE JUNE MEETINGS OF EFRAG'S TECHNICAL EXPERTS GROUP AND THE IASB

13.1 The Board noted the reports of the June meetings of EFRAG's Technical Experts Group (TEG) and of the IASB.

#### NEXT MEETING

Thursday 4 September 2008, 9.00 a.m.