



ACCOUNTING STANDARDS BOARD

**Minutes of a meeting of the Accounting Standards Board (2009:04)
held on 2 April 2009 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

Ian Mackintosh	Chairman
David Loweth	Technical Director
Nick Anderson	
Mike Ashley	
Edward Beale	
Peter Elwin	
Ken Lever	
Robert Overend	
Andy Simmonds	

IN ATTENDANCE

Andrew Lennard	ASB Director of Research
Michael Kavanagh	IAASA (for Items 1-5)
Rufus Rottenburg	BERR (for Items 1-7)
Chris Wobshall	HM Treasury
Peter Godsall	Secretary
Roger Nicklen	Minutes Secretary

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

APOLOGIES FOR ABSENCE were received from Marisa Cassoni and Geoffrey Whittington.

1 MINUTES

The minutes of the meeting held on 5 March 2009 (2009:03) were agreed and approved for publication.

2 CHAIRMAN'S UPDATE AND REPORTS

2.1 The Board received an update on recent activities.

2.2 The Board received oral reports on:

- a. the agenda topics for the meeting of the International Accounting Standards Committee Foundation (IASCF) Trustees with the new Monitoring Board (MB) on 1 April;

- b. the discussions at the European Financial Reporting Advisory Group's (EFRAG) Consultative Forum of Standard Setters (CFSS) on 25 March;
- c. EFRAG's Technical Advisory Group (TEG) meeting on 25-27 March; and
- d. the Urgent Issues Task Force (UITF) meeting on 18 March.

2.3 The Board noted:

- a. the request for nominations to membership of the EFRAG Supervisory Board to be made by 20 April;
- b. the appointments and re-appointments to TEG;
- c. endorsement of IFRIC 12 'Service Concession Arrangements' for use in the European Union (EU) (with 11 endorsements outstanding, none of which would be considered by the European Parliament until after the forthcoming Parliamentary Elections);
- d. the Financial Reporting Council's (FRC) review of the Combined Code, launched on 18 March, on which the comment deadline was 29 May; and
- e. publication of the FRC's responses to the IASCF consultation 'Review of the Constitution' and to an EFRAG Supervisory Board draft comment letter on the review.

2.4 The Board approved the Status Report for publication.

3 ACCOUNTING DEVELOPMENTS AND IMPLICATIONS OF THE GLOBAL FINANCIAL CRISIS

3.1 The Board received an update on developments relating to the global financial crisis and the impact on financial reporting.

3.2 The Board noted:

- a. the preparations for the G20 summit on 2 April and the progress made on action arising from the previous G20 Summit meeting;
- b. developments in the United States of America, including the introduction in the House of Representatives of proposed legislation to create a Federal Accounting Oversight Board and the appearance of the Financial Accounting Standards Board (FASB) Chair before the House Financial Services Sub Committee on Capital Markets, Insurance and Government Sponsored Enterprises;
- c. the launch of a European Commission consultation on the improvement of supervision for the European financial services sector, initially by seeking comments on the Report of the High-level Group on Financial Supervision in the EU;

- d. a European Commission concern that solutions to fair value measurement and impairment issues were being proposed by FASB but not by the IASB;
- e. publication by the ASB of a Press Notice detailing the consensus view of a meeting of stakeholders to discuss counter-cyclical measure in financial reporting favouring the introduction of an Economic Cycle Reserve (ECR) over dynamic provisioning; and
- f. publication by the Financial Services Authority of the Turner review of global banking regulation and of a Discussion Paper on a regulatory response to the global banking crisis.

3.3 The Board agreed that:

- a. as the European Commission's consultation on supervision of the banking sector was focussed mainly on the European supervisory architecture it would not submit a response; and
- b. it would give further consideration to the Turner review and the FSA's Discussion Paper at a later meeting with a view to making a response (or contributing to a response from the Financial Reporting Council (FRC)).

3.4 The Board discussed the request from the IASB/FASB Financial Crisis Advisory Group (FCAG) for written submission from constituents and its draft response. Board members made a number of suggestions for inclusion in the response and commissioned further development of the response.

3.5 The Board:

- a. agreed that the response to the FCAG could be sent without further consultation with Board members; and
- b. considered EFRAG's draft comment letter and agreed a response to it.

3.6 The Board noted the publication of a joint IASB/FASB Press notice on their agreement to work jointly and expeditiously towards common standards dealing with off balance sheet activity, financial instruments and loan loss accounting, to work jointly on consolidation and to replace their respective financial instruments within months rather than years.

3.7 The Board discussed the IASB's request for views on how it should respond to the decision by FASB to issue two staff position papers (FSPs) on fair value measurement and impairments of securities.

3.8 The Board:

- a. noted that FASB had decided to proceed unilaterally on these FSPs, despite the recent agreement to work jointly with the IASB, but that it had not yet taken its final decision;
- b. expressed concern that –

- i) FASB's exceptionally short deadline for comments effectively negated proper due process, and
 - ii) the two FSPs were conceptually flawed (while acknowledging that the FSP on impairments of securities addressed issues raised at the IASB and FASB's October 2008 joint round tables);
- c. noted that the IASB's deadline for responses (20 April) fell before its next meeting and commissioned preparation of a response that took account of its concerns and of FASB's final decision on the FSPs, to be cleared with Board members outside the meeting; and
- d. commissioned preparation of a response to EFRAG's draft comment letter (yet to be received), also to be cleared with Board members outside the meeting.

4 HERITAGE ASSETS

- 4.1 The Board considered the draft of a Financial Reporting Standard (FRS) on Heritage Assets.
- 4.2 The Board agreed that:
 - a. the standard should be principally a disclosure standard but should include the recognition and measurement issues raised in Financial Reporting Exposure Draft (FRED) 42;
 - b. the disclosure requirements should appear first; and
 - c. the standard should be issued as a new standard rather than an amendment to FRS 15.
- 4.3 The Board proposed a number of minor amendments to the draft and agreed that it should be sent out for fatal flaw review and (subject to the outcome of that review) submitted to Board members for approval outside the meeting.

5 EUROPEAN COMMISSION CONSULTATION ON A REVIEW OF THE 4TH AND 7TH COMPANY LAW DIRECTIVES

- 5.1 The Board considered the European Commission's 'Consultation Paper on Review of the Accounting Directives'.
- 5.2 The Board agreed that its response should encourage the European Commission to undertake a more comprehensive review of the Directives with the aim of providing a high-level legal framework and principles within which Member States could determine their accounting requirement.
- 5.3 The Board considered a draft response, made a number of suggestions for improvements and commissioned the preparation of a final version to be sent without further reference to Board members.

6 FUTURE OF UK GAAP

- 6.1 The Board gave further consideration to the basis on which it would consult on the role of Statements of Recommended Practice and the accounting requirements for Mutual Entities in its forthcoming consultation on the future of UK GAAP.
- 6.2 The Board agreed that its consultation on the future of UK GAAP should include a discussion on the way forward for not-for-profit entities, including the possibility of developing a not-for-profit standard.

7 THE FINANCIAL REPORTING OF PENSIONS

- 7.1 The Board resumed its re-deliberation of the Pro-Active Accounting Issues in Europe (PAAinE) Discussion Paper 'The Financial Reporting of Pensions'.
- 7.2 The Board:
- a. discussed recognition and presentation issues, taking into account the views of respondents and related IASB activities;
 - b. noted a summary of its re-deliberations to date; and
 - c. re-affirmed its preliminary views that:
 - i) pensions assets and liabilities should be recognised immediately while acknowledging that this raised presentation issues;
 - ii) service costs should be presented within operating activities and interest costs within financing (but should not be presented net of tax); and
 - iii) changes in the re-measurement of the liability are part of profit and loss as separate items outside of operating activities.

7.3 The Board:

- a. Reconsider its view that the actual return on assets held to fund pension liabilities should be presented separately as financing income in the statement of comprehensive income, on the basis that although this was a conceptually pure approach it did not meet the needs of users; and
- b. agreed that the final Discussion Paper should acknowledge the alternative approaches proposed by respondents and include a brief discussion of a proposal based on the view that a pension deficit was a net liability and recommend that it should be investigated further.

8 ACCOUNTING FOR TAX

The Board agreed to defer to a later meeting discussion of the nature and incidence of tax as part of the Joint ASB/GASB tax project.

9 ANNUAL IMPROVEMENTS TO FRS

9.1 The Board discussed the basis on which a Financial Reporting Exposure Draft of 2009 improvements to FRS should be prepared.

9.2 The Board considered the case for:

- a. amendment of Application Note G (ANG) to FRS 5 'Substance of Transactions' to remove the rebuttable presumption that a seller who had not disclosed that it was acting as agent was acting as principal;
- b. alignment of SSAP 4 'Accounting for Government Grants' with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' in relation to imputed interest benefit;
- c. amendment of FRS 3 'Reporting Financial Performance' to remove an inconsistency with other literature in relation to disclosure of dividends;
- d. amendment of FRS 11 'Impairment of Fixed Assets and Goodwill' to align it with improvements in IFRS; and
- e. departure from the past practice of exposing editorial changes.

9.3 The Board:

- a. agreed not to propose amendments to ANG or FRS 3;
- b. deferred a decision on whether to propose amendments to SSAP 4 and FRS 11 until they had seen a draft; and
- c. agreed not to expose editorial changes but to place them on the ASB's website.

10 NEXT MEETING

Thursday 23 April, 9.00 a.m.