



ACCOUNTING STANDARDS BOARD

**Minutes of a meeting of the Accounting Standards Board (2008:14)
held on 27 November 2008 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

UK Accounting Standards Board

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

German Accounting Standards Board

Liesel Knorr	President
Andreas Barckow	
Norbert Barth	
Christoph Hütten	
Susanne Kanngiesser	

IN ATTENDANCE

Sir David Tweedie	Chair, IASB (for Items 1-5)
Andrew Lennard	ASB Director of Research
Michael Kavanagh	IAASA Observer
David Tyrrall (DET)	BERR
Larry Pinkney	HM Treasury
Simon Peerless	ASB Secretary
Roger Nicklen	Minutes Secretary

Technical Staff: Mario Abela (CMA), Seema Jamil-O'Neill and Melanie Kerr (MDK).

APOLOGIES FOR ABSENCE were received from Jochen Pape and Martin Edelmann (Vice President and member, respectively, of GASB).

Joint Meeting with the German Accounting Standards Board

1 THE IMPLICATIONS FOR THE INTERNATIONAL ACCOUNTING STANDARD-SETTING AGENDA OF CURRENT MARKET CONDITIONS

1.1 The Boards received an update on developments in relation to international accounting standard-setting following the European Commission's (EC) letter of 27 October calling on the IASB to address certain issues in IAS 39 'Financial Instruments: Recognition and Measurement' in time for December 2008 year ends. The developments considered included:

- a. the further calls for reform of International Accounting Standards Board (IASB) governance from the European Union (EU) heads of state or government meeting on 7 November and the G20 summit meeting on 15 November;
- b. the letter from UK constituents in the Financial Times on 12 November stressing the importance of independence for the IASB and the need for due process, the Corporate Reporting Users Forum (CRUF) briefing for MEPs and the communiqué from 20 members of the National Standard-Setters (NSS) group to the IASB and International Accounting Standards Committee Foundation (IASCF) Trustees on 14 November supporting the IASB's efforts to achieve global financial reporting standards, the independence of the IASB and the importance of due process;
- c. the support for independent accounting standard-setting ahead of the G20 summit meeting from the US International Corporate Governance Network (ICGN) and Financial Accounting Federation (FAF);
- d. the representations to the G20 summit meeting from the IASCF Trustees about the role of the IASB in addressing the credit crisis and the steps being taken to enhance the IASB's accountability, the discussion at the G20 summit meeting on transparency and accountability, sound regulation, integrity in financial markets and international cooperation and the declaration following the meeting which had called for and prioritised actions on transparency and accountability;
- e. the IASB's efforts to promote a level playing field with the US, the establishment with FASB of an international advisory group to help in ensuring that financial reporting issues were being dealt with in an internally consistent manner and the decision to mount a series of round-table discussions to help in identifying all the issues; and
- f. the Treasury Select Committee enquiry into the banking crisis (which had included the appearance before the Committee of the Financial Reporting Council's (FRC) CEO and the IASB Chairman).

1.2 The Boards discussed:

- a. the tension between the political pressures to find solutions to the current economic crisis and the potential for those solutions to damage the objective of global accounting standard-setting;
 - b. the importance of the IASB being able to establish a consensus on the solutions to the current problems and being able to signal that timely action would be taken, subject to appropriate due process;
 - c. the scope for ensuring that all appropriate arguments were drawn to the attention of EU Ministers, including that on the potential medium to longer term consequences of solutions that reduced transparency;
 - d. the case for a one-off amnesty allowing switching out of the fair value option (in limited circumstances) and the need for users to be convinced about how institutions taking advantage of this would make the transition;
 - e. the opportunity the present situation offered to address some of the difficulties surrounding current impairment rules;
 - f. concerns about the impact (including cost implications) on other companies of changes in accounting standards designed around the needs of financial institutions; and
 - g. the uncertainties surrounding the detailed implementation of the proposed new governance arrangements for the IASB and of the calls for action from the G20 summit meeting.
- 1.1 The Boards concluded that they would need to remain alert to further developments and their potential impacts on international accounting standard-setting.
- 2 OTHER ISSUES ON THE INTERNATIONAL ACCOUNTING STANDARDS-SETTING AGENDA AND ON THE IASB WORK PLAN
- 2.1 The Boards reviewed the IASB's Work Plan and were briefed on the rationale behind it (including the imperatives flowing from agreements with the USA ending the requirement for IFRS preparers to reconcile to US GAAP) and on the latest developments in implementation of the Plan.
- 2.2 In discussion attention was drawn to:
- the importance of concentrating resources on projects most likely to bring improvements to accounting standards;
 - concerns about whether the IASB and constituents would have the capacity to address all of the issues in the timescales envisaged; and
 - the need to pay attention to cross-cutting issues and to ensuring consistency between projects scheduled to conclude at different times.

3 ENHANCEMENT OF THE EUROPEAN FINANCIAL REPORTING ADVISORY GROUP (EFRAG)

3.1 The Boards were given an update on the proposals for enhancement of the European Financial Reporting Advisory Group (EFRAG).

3.2 The Boards confirmed their support for the enhancement proposals, considered a number of issues concerning the relationships between EFRAG and national standard-setters and emphasised the importance of national standard-setters remaining as independent partners with EFRAG.

3.3 The Board also noted the call for applications for membership of the Standards Advice Review Group.

4 CURRENT EVENTS IN THE UK AND GERMANY, STRATEGIES FOR UK AND GERMAN GAAP AND COOPERATION BETWEEN ASB AND GASB

4.1 The Boards were briefed on the backgrounds to and approaches being taken in relation to the future of UK and German GAAP.

4.2 The Boards agreed to consider further the scope for future co-operation between ASB and GASB.

5 ASB/GASB-LED PROJECT ON ACCOUNTING FOR TAX

5.1 The Boards considered proposals for a project on accounting for tax to be jointly led by ASB and GASB.

5.2 The Boards discussed the objectives of, the project arrangements, including the establishment of a Tax Advisory Panel, and the relationship with EFRAG (given the project's adoption as a Proactive Accounting Issues in Europe (PAAinE) project). The Boards also discussed and further developed a set of design principles to provide strategic direction to the project.

5.3 The Boards:

- approved the project plan, the proposed membership of the Tax Advisory Panel and the proposed schedule of issues;
- recommended the establishment of a separate User Panel;
- confirmed that the project should work from first principles and not focus principally on the proposed changes to IAS 12; and
- agreed to consider the output of the project as it developed.

6 IASB CONCEPTUAL FRAMEWORK PROJECT

6.1 The Boards received an update on the IASB's Conceptual Framework Project, and on the parallel review of implications for public benefit entities.

- 7 PROPOSED PAAinE DISCUSSION PAPER ON REPORTING PERFORMANCE
- 7.1 The Boards discussed the proposed PAAinE discussion paper on reporting performance, due for publication in December, noted differences from the IASB's Discussion Paper (DP) 'Preliminary Views of Financial Statement Presentation' and expressed strong reservations about a proposal to include the 'BusinessEurope' model as one of the models for disaggregation discussed in the paper.
- 7.2 The ASB agreed to support the paper as a useful contribution to the debate subject to the above reservation.

ASB Meeting

8 MINUTES OF MEETING

- 8.1 The minutes of the meeting held on 6 November 2008 (2008:13) were agreed and approved for publication.

9 CHAIRMAN'S UPDATE AND REPORTS

- 9.1 The Board noted the Chairman's update and the Status Report and approved the Status Report for publication.

10 ASB RESPONSES TO THE IASB AND EFRAG ON THE IASB EXPOSURE DRAFT OF IMPROVEMENTS TO IFRS 7 'FINANCIAL INSTRUMENTS: DISCLOSURES'

- 10.1 The Board considered the IASB Exposure Draft of improvements to IFRS 7 'Financial Instruments: Disclosures'

- 10.2 The Board approved a response to the IASB which included:

- concern about the understandability of the fair value hierarchy which was being included in abridged form and a recommendation that some of the concepts needed further explanation, and
- a proposal to emphasise that materiality continued to apply in all circumstances.

- 10.3 The Board approved a response to EFRAG disagreeing with its proposal for a fair value sensitivity analysis on liabilities marked to model.

11 REPORTS OF THE OCTOBER MEETINGS OF EFRAG TEG AND OF THE IASB

- 11.1 The Board noted reports of the October meetings of the EFRAG Technical Experts Group (TEG) and of the IASB.

12 NEXT MEETING

Thursday 18 December, 9.00 a.m.