



**Minutes of a meeting of the Accounting Standards Board (2008:12)
held on 16 October 2008 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

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

IN ATTENDANCE

Michael Kavanagh	IAASA Observer
Andrew Lennard	Director of Research
Larry Pinkney	HM Treasury
James Templeton	HM Treasury (for Items 1-4)
David Tyrrall	BERR
Simon Peerless	Secretary
Roger Nicklen	Minutes Secretary

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

APOLOGIES FOR ABSENCE were received from Marisa Cassoni and Ken Lever.

The Chairman welcomed James Templeton from HM Treasury.

1 MINUTES AND NOTE OF MEETING

- 1.1 The minutes of the meeting held on 25 September 2008 (2008:11) were agreed and approved for publication.

2 EFRAG'S INVITATIONS TO COMMENT ON ITS ASSESSMENTS OF THE ENDORSEMENT OF THE AMENDMENT TO IAS 39 'ELIGIBLE HEDGED ITEMS' AND IFRIC 16 'HEDGES OF A NET INVESTMENT IN A FOREIGN OPERATION'.

2.1 The Board agreed responses to the European Financial Reporting Advisory Group (EFRAG) supporting EFRAG's proposals to recommend European Union endorsement of the amendment to IAS 39 'Eligible Hedged Items' and of IFRIC 16 'Hedges of a Net Investment in a Foreign Operation.

3 PROPOSED IMPROVEMENTS TO IFRS

3.1 The Board reviewed the IASB's Exposure Draft (ED) 'Improvements to IFRSs' and approved a response to the IASB that, while being generally supportive of the proposed amendments, recommended a number of further clarifications.

3.2 The Board noted that the European Financial Reporting Advisory Group (EFRAG) had yet to finalise its draft comment letter on the ED and agreed that a Board response to the draft comment letter should be submitted for Board approval outside the meeting.

4 CHAIRMAN'S UPDATE AND REPORTS

Amendments to IAS 39 and IFRS 7 and to FRS 26 and FRS 29

4.1 The Board was briefed on the events leading up to the decision by the International Accounting Standards Board (IASB) to amend, without due process, IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' (bringing IFRS provisions on reclassification of financial instruments closer to US GAAP) and the subsequent adoption of those amendments by the European Union, using a fast-track procedure.

4.2 The Board indicated its support for the action taken by the IASB and, in the light of the European Commission Declaration of 15 October 2008, expressed concern about the apparent intention to take emergency measures to introduce new carve-outs into EU adopted IFRS before the end of October and about other potential risks to global standard-setting.

4.3 The Board approved amendments to the converged UK standards FRS 26 'Financial Instruments: Recognition and Measurement' and FRS 29 'Financial Instruments: Disclosures' paralleling those made to IAS 39 and IFRS 7 and the issue of a Press Notice explaining the reasons for taking this action without due process.

Other matters

4.4 The Board was informed about:

- a. the latest developments in the relationship between the IASB and the Financial Accounting Standards Board (FASB);
 - b. new Pro-Active Accounting Issues in Europe (PAAinE) projects, including:
 - i) tax (to be led by the German and UK standard-setters),
 - ii) share-based payments (to be led by the French standard-setter) and
 - iii) common control transactions (to be led by the Italian standard-setter);
 - c. delays in consideration of the responses to Stage 1 of the IASB Constitution Review and European Parliament concern about not being consulted in advance and about the membership of the proposed Monitoring Group;
 - d. items awaiting EU endorsement (including on Business Combinations II on which EFRAG had recently agreed to provide positive endorsement advice);
 - e. proposals to remove micro-entities from the scope of the Accounting Directives and for a longer-term review of the Directives; and
 - f. the latest quarterly meeting between EFRAG and the IASB.
- 4.5 The Board noted the Status Report and approved it for publication.

5 THE FINANCIAL REPORTING OF PENSIONS

- 5.1 The Board reviewed the responses to Chapter 2 'Liabilities to pay benefits' of the PAAinE Discussion Paper (DP) 'The Financial Reporting of Pensions'.
- 5.2 The Board:
- a. re-affirmed its view that there was a constructive obligation to pay pensions in a final salary scheme;
 - b. opposed, on a majority view, inclusion of future salaries in the measurement of the pension liability (on the measurement basis proposed in the DP); and
 - c. took the view that the appropriate unit of account was the individual, while accepting that the result would be no different from taking the work force as a whole.

6 RELATED PARTY DISCLOSURES

- 6.1 The Board considered what action it needed to take to ensure that the definition of related parties used under UK GAAP was compliant with the new definition

in the Companies Act, which referred to the definition in IAS 24 'Related Party Disclosures'.

6.2 The Board noted that the IASB's re-deliberations on its exposure draft of amendments to IAS 24 had resulted in a decision to re-expose and therefore to a further delay in the publication of a revised IAS 24.

6.3 The Board concluded that it should proceed with a limited amendment to FRS 8 'Related Party Disclosures' to bring the definitions of related parties in line with those used in the Companies Act and to replace FRS 8 with the amended IAS 24 at a later stage. The Board also concluded that, as the definitions had already been exposed in FRED 25 'Related Party Disclosures', re-exposure was not necessary.

7 THE IMPLICATIONS FOR FINANCIAL REPORTING STANDARDS OF THE COMING INTO EFFECT OF THE COMPANIES ACT 2006

7.1 The Board resumed its consideration of the implications for Financial Reporting Standards of the coming into effect of the Companies Act 2006.

7.2 The Board discussed the feasibility of updating legal references throughout the suite of UK standards, noted that this had not hitherto been the practice and that updated legal references were provided in the editorial notes to the published compendium of standards and decided that it could not justify use of the resources required. The Board agreed that it would limit its consideration to legal references appearing in the texts of standards.

7.3 The Board approved publication of a Financial Reporting Exposure Draft of amendments to FRS 2 'Accounting for Subsidiary Undertakings', FRS 6 'Acquisitions and Mergers' and FRS 28 'Corresponding Amounts'.

8 IASB/FASB PROJECT ON LEASE ACCOUNTING

8.1 The Board received an update on the joint IASB/FASB project on lease accounting and noted the decision to aim for completion by 2011 by focusing on lessee accounting only, modifying the current finance lease model to apply to all leases.

9 APPOINTMENTS TO SORP MAKING BODIES

9.1 The Board approved the appointment of Professor Julian Crampton as Chair and Theresa Chapman as a member of the Higher Education and Further Education SORP Board and Ken Finch as a member of the CIPFA/LASAAC Local Authority SORP Board.

10 EFRAG TEG AND IASB UPDATES

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

NEXT MEETING

Thursday 6 November, 9.00 a.m.