

## ACCOUNTING COUNCIL

### Minutes of the Meeting of the Accounting Council of the FRC held on 20 June 2013 in the Boardroom, Aldwych House, 71-91 Aldwych, London, WC2B 4HN

PRESENT:	Roger Marshall	Chairman
	Nick Anderson	Council Member (up to minute 10)
	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 (up to minute 11)
IN ATTENDANCE:	Mei Ashelford	Project Manager
	Jenny Carter	Project Director
	Francesca Chittenden	Council Secretary
	Jonathan Compton	Project Manager
	Seema Jamill-O'Neill	Project Director (from minute 10)
	Andrew Jones	Secondee, Accounting team
	Michael Kavanagh	IAASA Observer (up to minute 11)
	Andrew Lennard	Director of Research
	Melanie McLaren	Executive Director
	Deepa Raval	Project Director
	Alison Ring	HMRC Observer (in place of Matt Blake)
	Michelle Sansom	Director of Accounting
	Karen Sanderson	HM Treasury Observer
	Joanna Spencer	Project Director (from minute 10)

#### 1. APOLOGIES AND INTRODUCTIONS

- 1.1 Apologies were received from Mike Ashley (EFRAG observer) and Andy Simmonds (Council Member).

#### 2. MINUTES OF THE MEETING HELD ON 16 MAY 2013 AND ACTION LOG

- 2.1 The minutes of the meeting held on 16 May (2013:05) were agreed and approved for publication, subject to clarification of minute 6.1 to set out that the Council had provided comment and suggestions to consider in finalising the bulletins.
- 2.2 The Council reviewed and noted the log of actions arising from the previous meeting.

## **DIRECTORS REPORTS**

### **3. Director of Accounting**

- 3.1 The Council received a report 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.
- 3.2 The Council discussed the IFRS Interpretations Committee's draft interpretation on levies and noted that although the interpretation does not offer the most ideal or practical outcome the interpretation is a valid interpretation of IAS3, and accordingly, it would meet the criteria required in Europe for endorsement.
- 3.3 The Council noted that Michelle Sansom had resigned from the FRC and would be leaving the organisation later in the year.

## **KEY ISSUES**

### **4. FRS 103 Exposure Draft**

- 4.1 The Council considered the exposure draft of FRS 103 *Insurance Contracts*.
- 4.2 The Council discussed various amendments to the previous draft and agreed to provide its Advice to the FRC Board to issue the draft for consultation.

### **5. Residential Management Charges Abstract**

- 5.1 The Council considered the FRC Draft Abstract No.1 *Residential Management Companies' Financial Statements* Abstract (FRED 50).
- 5.2 Subject to the amendments recommended, the Council approved its Advice to the FRC Board to issue FRED 50.

### **6. SORP Policy**

- 6.1 The Council reviewed the updated SORP Policy and noted that the policy had last been issued in 2000 by the ASB.
- 6.2 The Council noted that Statements of Recommended Practice (SORPs) are not normally mandatory, however, some regulatory bodies require adherence to the SORP.
- 6.3 Subject to the amendments suggested, the Council endorsed the revised Policy for recommendation to the FRC Board.

## **ANNUAL REPORTS**

### **7. Narrative Reporting**

- 7.1 The Council considered a suite of papers in relation to Narrative Reporting – Guidance for Directors. The Council offered views on the draft principles and content elements in relation to materiality as applied to narrative reporting, communication principles and content elements.
- 7.2 The Council noted that an Exposure Draft on Narrative Reporting would be brought to the Council for recommendation to the Codes & Standards Committee at its July meeting.

### **8. Integrated Reporting**

- 8.1 The Council discussed the draft FRC response to the International Integrated Reporting Council's (IIRC) consultation draft on an International Integrated Reporting Framework.
- 8.2 The Council agreed with the underlying concept and thinking behind the creation of the document but considered this was not reflected in the document as presented. Accordingly, it suggested that the FRC response should be more robust, noting that the purpose is unclear and that the content of the integrated report is aimed at a wider stakeholder group.

## **INFLUENCING**

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

- 9.1 The Council considered the draft FRC response to the IASB Exposure Draft ED/2013/6 Leases.
- 9.2 The Council discussed the response and highlighted various concerns; the Council concluded that the recommendations as proposed introduced a level of complexity that outweighed the benefits.
- 9.3 The Council noted that an outreach event was scheduled for July and the outcomes of the event would be shared with Council before a final response was submitted.

### **10. IASB Exposure Draft ED/2013/5 Regulatory Deferral Accounts Draft response**

- 10.1 The Council discussed the draft response to the IASB Exposure Draft ED/2013/5 *Regulatory Deferral Accounts* which had been updated following discussions at the March Accounting Council meeting.
- 10.2 The Council reconfirmed that it did not support the issue of the proposed interim standard and suggested a number of minor amendments. Subject to completion of the amendments, the Council approved the draft response for publication on the FRC website.

## **ANY OTHER BUSINESS**

### **11. IASB Exposure Draft ED/2013/3 *Financial Instruments: Expected Credit Losses* Response review**

- 11.1 The Council discussed the draft FRC response letter and the feedback that had been received. The Council noted that, although the feedback identified a clear acceptance of the underlying principles, it went on to raise concerns around the detail.
- 11.2 The Council suggested amending the response to highlight the points raised and commending the IASB on its outreach. Subject to the amendments, the Council agreed the response for submission to the IASB.

### **12. IASB Conceptual Framework Bulletins and Update**

- 12.1 The Council received an update on the status of the Conceptual Framework bulletins.
- 12.2 The Council noted that three bulletins (Prudence, Reliability and Uncertainty) had been published, that three were due to be published shortly (Role of the Conceptual Framework, Business models, Asset / Liability Approach) and that three (Accountability, Measurement and Performance Reporting) were yet to be finalised. The Council provided comments on the latter three.
- 12.3 The Council noted the points raised at a recent EFRAG TEG meeting and offered further input to be considered in finalising the bulletins.
- 12.4 The Council also received a presentation on the Conceptual Framework discussion paper.

### **13. Long Term Financing**

- 13.1 The Council reviewed the FRC response to the EU Green paper consultation and made a number of suggestions for inclusion in the response.

### **14. Horizon Scanning and Long Term Research**

- 14.1 The Council considered a number of issues that could be included on the forward work programme and noted the significant number of issues already in hand. The Council recommended the following key issues be included on the forward work programme:
  - (a) Discount rates
  - (b) Cash flows and forward looking information.

### **15. NEXT MEETING**

Thursday 18 July 2013 at 9am.