

ACCOUNTING COUNCIL

Minutes of the seventh Meeting of the Accounting Council (2012:07) held on 6 December 2012 at Aldwych House, 71-91 Aldwych, London, WC2

PRESENT

Roger Marshall	Chairman
Nick Anderson	(Items 1 to 6)
Edward Beale	(Item 6, by telephone)
Peter Elwin	(Items 1 to 8)
Ken Lever	
Robert Overend	
Andy Simmonds	
Pauline Wallace	

IN ATTENDANCE

Michelle Sansom	Director of Accounting
Matt Blake	HMRC
Michael Kavanagh	IAASA Observer
Andrew Lennard	Director of Research
Simon Peerless	Minutes Secretary

Technical Staff: Jenny Carter, Seema Jamil-O'Neill, Susanne Pust Shah, Deepa Raval, Joanna Spencer.

Apologies were received from Richard Barker and Edward Beale (who joined the meeting by telephone).

1 MINUTES OF MEETING

- 1.1 The minutes of the meeting held on 15 November 2012 (2012:06) were agreed and approved for publication, subject to minor drafting amendments.

2 DIRECTOR OF ACCOUNTING REPORT

- 2.1 The Council received a report from the Director of Accounting on developments relating to the IASB, EFRAG and the European Commission, and on UK developments.

2.2 The Council noted:

- a. recent IASB exposure drafts and the revised IASB workplan;
- b. the forthcoming Disclosure Forum to be hosted by the IASB on 28 January 2013;
- c. the meeting of EFRAG TEG on 7 to 9 November and the publication by EFRAG of two requests for early input;
- d. the announcement of appointments to the EFRAG Supervisory Board, including Robert Talbut and Professor Robin Jarvis from the UK;
- e. the meeting of the Accounting Regulatory Committee on 30 November;

- f. the appointment of the next Governor of the Bank of England;
 - g. the appearance of Baroness Hogg before the Parliamentary commission on Banking Standards Joint Committee, and her written evidence;
- 2.3 The Council noted a concern relating to the selection of the discount rate for pension liabilities and asked the staff to consider the issue of a reminder of the requirements of IAS 19 and IAS 1 in relation to this.
- 2.4 In relation to the EFRAG request for input on financial instruments, the Council expressed the view:
- a. that there was a danger of the revised standard becoming as complex and unworkable as IAS 39; the standard had to be looked at as a whole; and
 - b. that convergence with US GAAP for the balance sheet treatment of financial instruments was important from a user perspective.

3 ACCOUNTING RESEARCH ACTIVITIES AND DEVELOPMENTS

- 3.1 The Council received a report from the Director of Research.
- 3.2 The Council noted:
- a. progress on the IASB's Conceptual Framework project and the FRC's strategy for engaging with the IASB and constituents on this project;
 - b. the current position on other research projects; and
 - c. the meeting held to note the first anniversary of the Financial Reporting Lab.
- 3.3 In relation to the Conceptual Framework project, the Council formed the view that the IASB should reopen consideration of chapters 1 and 3 of the Framework, which dealt with issues of stewardship and prudence, both of which were of significant concern to the UK. The Council agreed to submit a letter to the IASB expressing this view.

4 ROLE OF THE BUSINESS MODEL IN FINANCIAL STATEMENTS

- 4.1 The Council considered an update on the joint research project with EFRAG and the ANC on the role of the business model in financial reporting, including a draft of a proposed discussion paper.
- 4.2 The Council made a number of comments on the project and asked for these to be conveyed to the project team.

5 PENSIONS AND SERVICE CONCESSIONS – AMENDMENT TO FRS 102

- 5.1 The Council considered a summary of responses to the Exposure Draft 'Amendment to FRED 48' issued in October 2012 and re-deliberated the proposals set out in the Exposure Draft for incorporation into draft standard FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'
- 5.2 The Council:
- a. reaffirmed the proposal in the Exposure Draft relating to multi-employee defined contribution plans where the participants had entered into an agreement to fund a deficit;
 - b. agreed to clarify that the liability so recognised should be presented on the same line in the financial statements as other defined benefit scheme items;

- c. reaffirmed the proposals in the Exposure Draft in relation to service concessions; and
 - d. commissioned further research into the issues relating to service concessions and consider a possible amendment to FRS 102 in 2013.
- 6 FUTURE OF FINANCIAL REPORTING IN THE UK AND ROI – ALTERNATIVE ADVICE ON FRS 102
- 6.1 The Council considered a draft of alternative advice to the FRC on FRS 102 prepared by one member of the Council and agreed to consider a revised draft, together with a draft of the Council's advice on FRS 102, at its next meeting.
- 7 FUTURE OF FINANCIAL REPORTING IN THE UK AND ROI – SWEEP ISSUES
- 7.1 The Council resumed its re-deliberation of draft standard FRS 102.
- 7.2 The Council agreed:
- a. to amend draft FRS 102 to allow early adoption of the FRS by an entity that was legally required to comply with a Statement of Recommended Practice (SORP) only if the SORP was not in conflict with the requirements of the FRS;
 - b. to amend draft FRS 102 to require disclosure of the historical cost of property, plant and equipment and intangible assets that were held at revalued amounts;
 - c. to amend the timescale for considering whether the reporting entity was a going concern to bring it into line with the requirement in auditing standards, noting that this would be reconsidered in the light of the proposals of the Sharman Inquiry;
 - d. not to amend draft FRS 102 in relation to
 - i) the expected life of goodwill,
 - ii) derecognition of financial assets and liabilities
 - iii) hedge accounting for the net investment in a foreign operation, or
 - iv) recycling of exchange differences recognised in other comprehensive income.
- 8 FUTURE OF FINANCIAL REPORTING IN THE UK AND ROI – INSURANCE
- 8.1 The Council considered proposals for a financial reporting standard applicable to insurance contracts for entities applying FRS 102.
- 8.2 The Council: agreed that this new standard should implement requirements based on the current IFRS 4.
- 9 NARRATIVE REPORTING
- 9.1 The Council noted a paper on the FRC strategy for narrative reporting.

10 HEDGE ACCOUNTING

- 10.1 The Council received an update on the IASB project on hedge accounting.
- 10.2 The Council expressed the view that:
 - a. deletion of Implementation Guidance to IAS 39 that incorporated methods of hedge accounting used by UK banks might be detrimental to financial reporting in the UK; and
 - b. other concerns previously drawn to the IASB's attention were not being addressed satisfactorily.
- 10.3 The Council agreed to submit a further letter to the IASB setting out these views.

11 ACCOUNTING STANDARDS ADVISORY FORUM

- 11.1 The Council considered the IASB's proposals for an Accounting Standards Advisory Forum.
- 11.2 The Council expressed the view that:
 - a. the objectives of the proposed Forum were unclear;
 - b. the selection process for members was unspecified;
 - c. the Forum would not obviate the need for bilateral discussions between standard setters and the IASB;
 - d. the Forum should have an independent chairman; and
- 11.3 The Council asked for these views to be incorporated into an FRC response to the IASB consultation.

12 NEXT MEETING

Thursday 17 January at 9.00 a.m.