



ACCOUNTING STANDARDS BOARD

**Minutes of a meeting of the Accounting Standards Board (2006:03)  
held on 30 March 2006 at Aldwych House, 71-91 Aldwych, London WC2**

PRESENT

Ian Mackintosh	Chairman
David Loweth	Secretary and Acting Technical Director
Mike Ashley	
Roger Marshall	
Robert Overend	
Peter Westlake	
Ian Drennan	IAASA Observer

IN ATTENDANCE

Kathryn Cearns	CCAB LLP SORP Working Party (for item 2)
Andrew Vials	CCAB LLP SORP Steering Committee (for item 2)
Andrew Lennard	Director of Research
Ben Higgin	DTI
David Watkins	HM Treasury
Evelyn Ryle	Minutes Secretary

Technical Staff: Michelle Crisp (MDC), Peter Godsall, Jennifer Guest, Hans Nailor, Alan O'Connor and Simon Peerless.

APOLOGIES FOR ABSENCE were received from Marisa Cassoni, Tony Good, Jonathan Symonds and Helen Weir.

1 MINUTES

The minutes of the meeting held on 2 March 2006 (2006:02) were agreed and approved for publication.

2 SORP ON LIMITED LIABILITY PARTNERSHIPS (LLPs)

The Board considered the draft Statement of Recommended Practice (SORP) on Limited Liability Partnerships (LLPs), including drafting changes made in response to points raised by the Board's Financial Sector and Other Specialised Industries Committee (FSOSIC). The Board accepted that the presentation of the split between equity and liabilities was constrained by Financial Reporting Standard (FRS) 20 (IFRS 2) 'Share-based payment' and FRS 25 (IAS 32) 'Financial Instruments: Disclosure and Presentation'; the SORP proposal there was the only available solution. The Board noted that the SORP corresponded with the Board's view on the treatment of annuities for former members. Concerns had been raised about the

potential scope for financial engineering. The Board agreed that potential abuse was largely a matter for individual LLPs and their auditors, taking account of FRS 5 'Reporting the Substance of Transactions', but that the issue could be revisited in the future if the need arose.

The Board agreed to append its statement to the LLP SORP. The accompanying press release would draw attention to the possible amendment of IAS 32 by the IASB and to the possible consequences for FRS 25. The LLP SORP would be effective for accounting periods ending on or after 31 March 2006.

### 3 CHAIRMAN'S UPDATE AND STATUS OF ASB PROJECTS

The Chairman reported on progress within European and other international fora. The agreement signed on 23 March by the European Financial Reporting Advisory Group (EFRAG) and the European Commission on formalising the working arrangements between the two bodies on the application of International Financial Reporting Standards (IFRS) in Europe was noted. The Board also noted the agreement made for more regular meetings between the IASB, EFRAG and European standard-setters.

The Chairman also reported on the recent meeting of national standard-setters in Toronto, concerned largely with research projects. One of the sessions had focused on the issue of interpretations of IFRS. The Board noted, with concern, that interpretations might be produced in major jurisdictions without external consultation. The Board noted that the IASB Chairman was scheduled to meet with the Board in July 2006 and agreed on the need for preparatory work to be done before the meeting.

The Board considered representations from the Committee on Smaller Entities (CASE) and concluded that the Exposure Draft on the Financial Reporting Standard for Smaller Entities (FRSSE) should indicate that differing views existed on the issue of the application of Financial Reporting Standard (FRS) 20 'Share-based payment' to Small and Medium-sized Entities (SMEs). Possible extended applicability of the FRSSE would be considered during future discussions on convergence. The Board noted, with concern, that the proposed use of a mandatory fallback to full IFRS in the IASB's project on smaller entities was unlikely to produce a simplified and self-standing standard.

The Board received updates on individual projects. The proposed round table on fair value measurement, to be held on 24 April, had excited considerable interest and would be well attended.

4 IASB DISCUSSION PAPER—MEASUREMENT BASES FOR FINANCIAL ACCOUNTING—PROPOSED RESPONSE TO EFRAG

The Board considered a draft letter commenting on EFRAG’s draft response to the IASB Discussion Paper “Measurement bases for Financial Accounting—Measurement on Initial Recognition”. Some suggestions for redrafting were agreed and subject to these alterations, the letter and comments were approved for submission to EFRAG.

5 PENSIONS: SHORT-TERM DISCLOSURES

The Board considered the recommendations from the Pensions Advisory Panel on improvements in short-term disclosures for retirement benefit plans. The Board agreed the disclosures that would be included in a draft Exposure Draft of an amendment to FRS 17 and a proposed Reporting Statement, to be considered at a future meeting. The Board concluded that it would be useful to field-test the proposals on complex examples. The Board noted that the proposed reporting statement would be persuasive rather than mandatory.

6 PENSIONS PROJECT

The Board received an update on progress towards a discussion paper from the pensions project. The Board agreed that the opposing arguments should be fully set out in the eventual discussion paper and that a set of clear principles should be used to substantiate any conclusions.

7 UITF ABSTRACT 41: SCOPE OF FRS 20 (IFRS 2) SHARE-BASED PAYMENT

The Board approved Urgent Issues Task Force (UITF) Abstract 41 for publication.

8 UITF ABSTRACT 42: REASSESSMENT OF EMBEDDED DERIVATIVES

The Board approved UITF Abstract 42 for publication.

9 JOINT IASB/FASB CONCEPTUAL FRAMEWORK PROJECT

The Board received a progress report on the joint IASB/FASB conceptual framework project, relating to the discussions of the reporting entity phase of the project. The Board also received an update of the work being carried out with the standard-setters in Australia, Canada and New Zealand, plus the International Public Sector Accounting Standards Board (IPSASB), to consider the implications of the conceptual framework project for the not-for-profit and public sectors.

10 RECENT AND UPCOMING ASB ACTIVITIES

The Board noted a report on the ASB’s recent and upcoming activities.

11 REPORTS OF EFRAG AND IASB MEETINGS

The Board noted reports of EFRAG's meetings of February and March 2006, and of the IASB's February meeting.

12 NEXT MEETING

Thursday, 20 April 2006, at 9.00 am.