



**Minutes of a meeting of the Accounting Standards Board (2010:01)
held on 14 January 2010 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

Ian Mackintosh	Chairman
David Loweth	Technical Director
Nick Anderson	
Edward Beale	
Peter Elwin	
Ken Lever	(participating by telephone)
Robert Overend	
Andy Simmonds	
Pauline Wallace	

IN ATTENDANCE

Andrew Lennard	ASB Director of Research
Chris Wobschall	HM Treasury
Rufus Rottenberg	BIS
Ian Wright	FRC Director of Corporate Reporting
Peter Godsall	Secretary
Simon Peerless	Minutes Secretary

Technical Staff: Paul Ebling (PME), Janice Lingwood, Seema Jamil-O'Neill, Deepa Raval.

APOLOGIES FOR ABSENCE were received from Marisa Cassoni.

The Chairman welcomed Pauline Wallace to her first meeting following her appointment to the Board.

1 MINUTES AND NOTE OF MEETING

- 1.1 The minutes of the meeting held on 17 December 2009 (2009:15) were agreed, subject to adding Peter Godsall to those in attendance, and approved for publication.

2 UPDATE AND REPORTS

2.1 The Board received an update on recent developments relating to the global financial crisis, other IASB and international developments, EFRAG and other European developments, and FRC and ASB developments.

2.2 The Board noted:

- a. the letter from the Financial Crisis Advisory Group to the Korean presidency of the G20;
- b. the press notice following the meeting of the Financial Stability Board on 4 January;
- c. the press notice of the latest meeting of central bank governors and supervisors, in particular the comments made encouraging the development of 'through-the-cycle' approaches to loan-loss provisioning;
- d. the issue by the IASB of its exposure draft on measurement of non-financial liabilities;
- e. the main agenda items for the IASB meeting the following week;
- f. proposals on climate change reporting following the Copenhagen Convention on Climate Change;
- g. the progress of the endorsement process of IFRS 9 and other IASB and IFRIC pronouncements;
- h. progress on the selection procedure for the appointment of the new Commissioner for Internal Markets, Michel Barnier;
- i. the main agenda items for the meeting of the EFRAG supervisory Board on 19 January;
- j. the issue of the draft FRC Plan and Budget for 2011/12;
- k. the issue by the Financial Reporting Review Panel of a report on IFRS 8;
- l. the issue by the FRC of a study on accounting for acquisitions; and
- m. the forthcoming trip to Japan by the Chairman and Technical Director.

2.3 The Board also noted the Status Report and approved it for publication.

3 REVIEW OF THE ROLE OF THE ASB

3.1 The Board received a report of the annual review of the operations of the Board and the Chairman.

- 4 REVIEW OF THE URGENT ISSUES TASK FORCE (UITF) AND THE BOARD'S ADVISORY COMMITTEES AND APPOINTMENT TO THE COMMITTEE ON ACCOUNTING FOR PUBLIC-BENEFIT ENTITIES (CAPE)
 - 4.1 The Board received a report on the operations of the Urgent Issues Task Force (UITF), the Financial Services and Other Special Industries Committee (FSOSIC), the Committee on Accounting for Smaller Entities (CASE) and the Committee on Accounting for Public-benefit Entities (CAPE).
 - 4.2 The Board:
 - a. agreed that the UITF and the Committees continued to serve a useful purpose of providing support to the Board and should continue to operate; and
 - b. agreed that the current membership of the UITF and the Committees was appropriate.
 - 4.3 The Board approved the appointment of Kirsty Gray, formerly deputy-chair of the Charities SORP Committee and Head of Monitoring and Investigation at the Office of the Scottish Charity Regulator, to CAPE for a period of two years to 31 December 2011.
- 5 IASB EXPOSURE DRAFT 'MANAGEMENT COMMENTARY'
 - 5.1 The Board considered proposals in the IASB exposure draft (ED) on Management Commentary issued in June 2009.
 - 5.2 The Board:
 - a. agreed that non-mandatory guidance was in the current circumstances preferable to an IFRS;
 - b. agreed that an important objective of the management commentary was to enable the reader to understand the business model of the reporting entity, and expressed concern that the ED gave insufficient guidance on this objective;
 - c. agreed that the conceptual issue of the boundary of financial reporting was important and should continue to be addressed, taking account of moves towards a more holistic view of corporate reporting;
 - d. agreed that the qualitative characteristics applicable to management commentary should be relevance, timeliness, understandability, comparability over time, balance and supportability; and
 - e. expressed concern over the proposal in the ED to prohibit an entity from issuing its management commentary separately from the financial statements to which it referred.
 - 5.3 The Board approved responses to the IASB and EFRAG subject to amendment in the light of the comments made.

- 6 AMENDMENT TO FRS 25 - CLASSIFICATION OF RIGHTS ISSUES
 - 6.1 The Board considered the responses received on its exposure draft 'Amendment to FRS 25 (IAS 32) Financial Instruments: Presentation - Classification of Rights Issues'.
 - 6.2 The Board noted:
 - a. that commentators supported the issue of the amendment to maintain consistency between FRS 25 and IAS 32;
 - b. that no issues specific to the UK were raised; and
 - c. that no concerns over cost/benefit considerations were raised.
 - 6.3 The Board agreed to the issue of the amendment.

- 7 UPDATE ON IASB'S PROJECT ON HEDGE ACCOUNTING
 - 7.1 The Board received a report of recent deliberations of the IASB on its project to simplify hedge accounting, and the discussions at recent joint meetings between the IASB and FASB.
 - 7.2 The Board:
 - a. reaffirmed the views on the simplification of hedge accounting expressed in its response to the IASB's discussion paper 'Reducing Complexity in Reporting Financial Instruments', and in particular the suggestion that simplification could be achieved by removing the prospective effectiveness test;
 - b. expressed a preference for a principles-based model rather than a rules-based model for fair value hedge accounting;
 - c. expressed concern that the current rules-based approach could result in financial reporting that was inconsistent with an entity's risk management strategy and was not useful to users;
 - d. agreed that further research into the needs of users in terms of both accounting and disclosure, and the causes of complexity in the current standard, should be considered;
 - e. expressed concern at the possibility of divergence between IASB and US standards on hedge accounting; and
 - f. noted that staff were participating in EFRAG's project to develop alternative proposals.

- 8 EFRAG INVITATIONS TO COMMENT ON ASSESSMENTS OF THE ENDORSEMENT OF (I) AMENDMENT TO IFRIC 14 'PREPAYMENTS OF A MINIMUM FUNDING REQUIREMENT' AND (II) IFRIC 19

'EXTINGUISHING FINANCIAL LIABILITIES WITH EQUITY INSTRUMENTS'

- 8.1 The Board considered requests from EFRAG for comments on its draft endorsement advice on (i) the IASB's Amendment to IFRIC Interpretation 14 'Prepayments of a Minimum Funding Requirement' and (ii) IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'.
- 8.2 The Board approved responses supporting EFRAG's positive endorsement advice.

9 REPORTS OF THE DECEMBER 2009 MEETINGS OF EFRAG'S TECHNICAL EXPERTS GROUP (TEG) AND OF THE IASB

- 9.1 The Board noted the reports of the December 2009 meeting of EFRAG's Technical Experts Group (TEG) and of the December 2009 meeting of the IASB.

10 NEXT MEETING

Thursday 4 February, 9.00 a.m.