

ACCOUNTING COUNCIL

Minutes of the tenth Meeting of the Accounting Council (2013:03) held on 14 March 2013 at Aldwych House, 71-91 Aldwych, London, WC2

PRESENT

Richard Barker
Edward Beale
Andy Simmonds
Pauline Wallace

IN ATTENDANCE

Anne McGeachin	EFRAG (items 10 and 11)
Michelle Sansom	Director of Accounting
Matt Blake	HMRC
Michael Kavanagh	IAASA Observer
Andrew Lennard	Director of Research
Melanie McLaren	Executive Director, Codes and Standards
Simon Peerless	Minutes Secretary

Technical Staff: Jenny Carter, Grant Chatterton, Andrew Jones, Seema Jamil-O'Neill (by telephone) and Deepa Raval.

Apologies were received from the Chairman, Roger Marshall, and from Nick Anderson and Ken Lever.

In the absence of the Chairman the meeting was chaired by PW.

1 MINUTES AND NOTE OF MEETING

- 1.1 The minutes of the meeting held on 14 February 2013 (2013:02) were agreed and approved for publication.

2 DIRECTOR OF ACCOUNTING REPORT

- 2.1 The Council received an update from the Director of Accounting on developments relating to the IASB, EFRAG, the European Commission and the FRC, and other UK developments.

2.2 The Council noted:

- a. the applications for seats on the IASB's Accounting Standards Advisory Forum;
- b. the Memorandum of Understanding agreed between the IASB and the International Integrated Reporting Council;
- c. the minutes of the January meeting of the IFRS Foundation Due Process Oversight Committee;
- d. the minutes of the January meeting of the IFRS Foundation Trustees;
- e. the IASB's current workplan;

- f. the meeting of the Accounting Regulatory Committee on 22 February;
- g. the meeting of EFRAG TEG on 27-28 February and 1 March;
- h. discussions between FRC staff and energy company representative on the accounting treatment of Energy Company Obligations and the conclusions reached;
- i. the approval by the FRC Board of FRS 102 and the publication of the standard; and
- j. the recent meeting of the Committee for Public Benefit Entities.

3 ACCOUNTING RESEARCH ACTIVITIES AND DEVELOPMENTS

3.1 The Council received a report from the Director of Research.

3.2 The Council noted:

- a. recent developments in the IASB's project on the conceptual framework;
- b. progress on the initiative of the four European National Standard Setters and EFRAG to influence the IASB's debate on the conceptual framework, including the publication of Bulletins to draw wider attention to the key issues;
- c. progress on other EFRAG PRC projects;
- d. an update on FRC research projects and developments.

4 IMPAIRMENT OF FINANCIAL ASSETS

4.1 The Council considered the FASB's recent exposure draft of a Proposed Accounting Standards Update 'Financial Instruments – Credit Losses'.

4.2 The Council:

- a. expressed the view that a full response to the FASB proposals could only be made when the IASB's proposals on impairment of financial assets had been published, and commissioned a response to the FASB explaining this view; and
- b. considered proposals for outreach activities to gain an understanding of the practical implications of the FASB and IASB models, and the relevance to users of the information the models would provide.

5 FINANCIAL INSTRUMENTS – CLASSIFICATION AND MEASUREMENT

5.1 The Council considered the IASB's exposure draft 'Classification and Measurement: Limited Amendments to IFRS 9' issued in November 2012.

5.2 The Council expressed the view that:

- a. whilst it was clear how categorisation of financial assets as at amortised cost or as fair value through profit or loss could be justified by an underlying business model, it was difficult to envisage a business model that would justify categorisation as at fair value through OCI; and
- b. if the fair value through OCI category was intended to be a pragmatic solution to a problem, that should be stated explicitly, but the case for this had not been made.

5.3 The Council commissioned responses to IASB and EFRAG setting out these views.

6 ACQUISITION OF AN INTEREST IN A JOINT OPERATION

6.1 The Council considered the IASB's exposure draft 'Acquisition of an Interest in a Joint Operation'.

6.2 The Council expressed the view that:

- a. a joint operation was unlikely to be a business, as a joint interest in a business would normally be classified as a joint venture;
- b. the amount paid for an investment in a joint operation should be treated as the acquisition costs of the interest in the individual assets and liabilities acquired, rather than goodwill.

6.3 The Council approved responses to the IASB and EFRAG setting out these views.

7 SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE

7.1 The Council considered the IASB's exposure draft 'Sale or Contribution of Assets between an Investor and its Associate'.

7.2 The Council expressed the view that:

- a. the proposed amendment was acceptable as a short-term expedient, but proper disclosure was important;
- b. basing the accounting treatment on whether the investment constituted a business or not introduced new inconsistencies with IFRS 10, and a distinction on whether there was a loss of control or not would be preferable;
- c. this issue was indicative of wider concerns with business combinations accounting that needed to be addressed in a further project.

7.3 The Council commissioned responses to the IASB and EFRAG setting out these views.

8 RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS

8.1 The Council considered the IASB exposure draft 'Recoverable Amount Disclosures for Non-Financial Assets'.

8.2 The Council:

- a. supported the proposed amendment;
- b. expressed the view that a disclosure framework might have provided the basis to challenge unnecessary disclosures and identify the excessive requirement before the standard had been issued.

8.3 The Council agreed responses to the IASB and EFRAG setting out these views.

9 RATE-REGULATED ACTIVITIES

9.1 The Council received an update on the IASB's project to develop an interim standard on rate-regulated activities.

10 CONCEPTUAL FRAMEWORK BULLETINS

10.1 The Council considered draft Bulletins for publication as part of the joint FRC/ANC/ACSG/OiC/EFrag initiative on the conceptual framework project.

10.2 The Council considered Bulletins on:

- a. Uncertainty; and
- b. Reliability/Faithful Representation.

10.3 The Council:

- a. agreed the general approach
- b. provided comments and suggestions for consideration in finalising the Bulletins; and
- c. authorised the approval of the final Bulletins for publication.

11 DISCLOSURE FRAMEWORK

11.1 The Council received an update on the project on the disclosure framework and the feedback statements relating to the FRC discussion paper 'Thinking about disclosures in a broader context' and the joint ANC/EFrag/FRC paper 'Towards a disclosure framework for the notes'.

12 UK GAAP – INSURANCE ACCOUNTING

12.1 The Council received an update on the development of a UK accounting standard FRS 103 'Insurance Contracts'.

12.2 The Council expressed the view that FRS 103:

- a. should set out the current UK GAAP accounting requirements for insurance companies;
- b. should allow entities to amend their accounting policies subject to the criteria for change set out in IFRS 4; and
- c. should include capital disclosures above those of FRS 102 only if these could be justified.

12.3 The Council agreed the proposed timetable for development of the exposure draft.

13 NEXT MEETING

Wednesday 10 April at 9.00 a.m.