



**Minutes of a meeting of the Accounting Standards Board (2009:06)  
held on 21 May 2009 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

Ian Mackintosh	Chairman
David Loweth	Technical Director
Nick Anderson	
Mike Ashley	(for Items 3-13)
Edward Beale	
Peter Elwin	
Ken Lever	
Robert Overend	
Andy Simmonds	
Geoffrey Whittington	

IN ATTENDANCE

Michael Kavanagh	IAASA
Ian Wright	FRC Director of Corporate Reporting (for Items 8-13)
David Tyrrall	BERR
Chris Wobschall	HM Treasury
Peter Godsall	Secretary
Roger Nicklen	Minutes Secretary

Technical Staff: Mario Abela, Michelle Crisp, Alan O'Connor, Jennifer Guest, Melanie Kerr and Deepa Ravel.

APOLOGIES FOR ABSENCE were received from Marisa Cassoni.

1 MINUTES

The minutes of the meeting held on 23 April 2009 (2009:05) were agreed and approved for publication subject to correcting the spelling of Mr Somir Ali's name.

2 CHAIRMAN'S UPDATE AND REPORTS

2.1 The Board received updates on current IASB activities and forthcoming consultations

2.2 The Board noted:

- a. continuing concerns within Europe about the IASB's response to the financial crisis and the invitation for the IASB Chair to attend the ECOFIN (European Finance Ministers) meeting on 9 June,
  - b. the appointment of two new IASB members who were both US analysts,
  - c. European Commission approval of financial contributions to the European Financial Reporting Advisory Group (EFRAG) (€3 million a year for 2010-2013) and to the International Accounting Standards Committee Foundation (IASCF) (€5 Million a year for 2011-2013),
  - d. the recent report from the Financial Services Competitiveness Group (FSCG) and the recent report from the House of Commons Treasury Select Committee on the banking crisis,
  - e. the FRC response to the SEC consultation on its road map suggesting that all US companies should be permitted to file accounts using IFRS, and
- 2.3 The Board discussed proposals for a formal process of performance evaluation of FRC Operating Bodies (OBs).
- 2.4 The Board discussed proposals for greater transparency in the procedures of the FRC's standard-setting OB's, including publication of Board papers, allowing observers to attend Board meetings and broadcasting Board meetings on the web.
- 2.5 The Board expressed strong reservations about whether broadcasting their proceedings could be justified but was not opposed to greater transparency if there was clear evidence that it would be worthwhile.
- 2.6 The Board noted the Status Report and approved its publication on the website.
- 3 AMENDMENTS TO FRS 2, FRS 6 AND FRS 28
- The Board approved publication of 'Amendments to FRS 2 'Accounting for Subsidiary Undertakings', FRS 6 'Acquisitions and Mergers' and FRS 28 'Corresponding Amounts' - Legal Changes'.
- 4 ANNUAL IMPROVEMENTS TO UK GAAP
- 4.1 The Board considered a draft of a Financial Reporting Exposure Draft (FRED) dealing with annual improvements to UK GAAP, mostly consequent on annual improvements to IFRS (principally affecting FRS 26 'Financial Instruments: Recognition and Measurement', and UITF 42 'Reassessment of Embedded Derivatives' and UITF 46 'Hedges of a Net Investment in a Foreign Operation' as a result of changes to IFRIC Interpretations).
- 4.2 The Board reaffirmed its policy of limiting changes to UK GAAP given its current deliberations on the future of UK GAAP and its longer term ambitions to converge UK GAAP with IFRS and, as a consequence, decided

not to propose any amendments to SSAP 4 'Accounting for Government Grants'.

4.3 The Board agreed that, in addition to amendments directly consequent on IASB Annual Improvements, it should propose amending FRS 11 'Impairment of Assets and Goodwill' to require disclosure of key assumptions behind estimations of net realisable value on the same basis as those for estimations of value in use.

4.4 The Board approved the publication of the FRED (and concurrent publication of proposed editorial amendments on the website) with a comment period ending 30 September 2009.

## 5 THE FUTURE OF UK GAAP

5.1 The Board resumed its consideration of the future of UK GAAP and noted that the near-final text of the International Financial Reporting Standard for Small and Medium Sized Enterprises (IFRS for SMEs) was now available.

5.2 The Board discussed accounting for publicly accountable and non-publicly accountable wholly owned subsidiaries and considered the case for allowing or requiring the use of:

- a. the IFRS for SMEs,
- b. the top tier of UK GAAP (based on EU-adopted IFRS) with disclosure exemptions or
- c. the top tier of UK GAAP in full.

The Board deferred a decision on its preferred option pending consideration of the specific disclosure exemptions that might be allowed.

5.3 The Board considered a first draft of its forthcoming Policy Proposal on the future of UK GAAP and confirmed its intention to publish the Policy Proposal by the end of July 2009 with a six month consultation period.

## 6 IASB DISCUSSION PAPER 'PRELIMINARY VIEWS ON REVENUE RECOGNITION IN CONTRACTS WITH CUSTOMERS'

6.1 The Board further considered the IASB Discussion Paper (DP) 'Preliminary Views on Revenue Recognition in Contracts with Customers'.

6.2 The Board confirmed its general support for the approach in the DP as having the potential to provide a suitable basis for the development of an IFRS on Revenue Recognition while recognising that there were many difficult issues in the DP that had not been covered but was still to be convinced that the proposals represented a significant improvement over the current revenue recognition model.

6.3 The Board considered and approved the draft response to the IASB, subject to taking Board comments into account. The Board considered that the covering letter should contain the view that ASB are still to be convinced that the

proposals represent a significant improvement over the current revenue recognition model.

- 6.4 The Board also considered the draft comment letter from EFRAG and approved a response.

## 7 2009 CODE OF PRACTICE FOR LOCAL AUTHORITY ACCOUNTING

The Board approved publication of the CIPFA/LASAAC 2009 Code of Practice for Local Authority Accounting with a qualified Statement in respect of the accounting requirements for PFI Transactions and Similar Contracts. These requirements were IFRS-based in anticipation of local authorities adopting the Government's Financial Reporting Manual from 2010-11).

## 8 IASB DISCUSSION PAPER 'LEASES - PRELIMINARY VIEWS'

- 8.1 The Board considered the IASB Discussion Paper 'Leases - Preliminary Views' and discussed the overall approach to the leasing project, whether a single model should be used for accounting for all leases, whether a right-of-use model should be used for all leases and how optional terms and contingent rentals should be dealt with.

- 8.2 The Board commissioned further development of a response taking its views into account.

## 9 APPOINTMENTS TO THE FINANCIAL SERVICES AND OTHER SPECIAL INDUSTRIES COMMITTEE

The Board approved the appointment of Hugh Francis and the re-appointment Deborah Chesworth and Lynn Percy to the Financial Services and other Special Industries Committee (FSOSIC) for a period of two years to 30 June 2011.

## 10 IASB EXPOSURE DRAFT 'INCOME TAX'

The Board commissioned preparation of a short response to the IASB Exposure Draft (ED) 'Income Tax' calling into question the value of proceeding on the basis of the ED.

## 11 THE FINANCIAL REPORTING OF PENSIONS

- 11.1 The Board resumed its re-deliberation of the PAAinE Discussion Paper 'Financial Reporting of Pensions' and re-affirmed the views expressed in Chapters 7, 8 and 9.

- 11.2 The Board commissioned preparation of a draft report taking into account all of its re-deliberations to date.

## 12 REPORTS OF THE FEBRUARY AND MARCH 2009 MEETINGS OF EFRAG TEG AND THE APRIL MEETING OF IASB

The Board noted the reports of the February and March 2009 meetings of EFRAG's Technical Experts Group (TEG) and the April meeting of IASB.

13 NEXT MEETING

Thursday 18 June, 9.00 a.m.