



ACCOUNTING STANDARDS BOARD

**Minutes of a meeting of the Accounting Standards Board (2007:14)
held on 23 November 2007 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

Ian Mackintosh	Chairman
David Loweth	Technical Director
Nick Anderson	
Mike Ashley	
Edward Beale	
Robert Overend	
Andy Simmonds	
Helen Weir	
Geoffrey Whittington	

IN ATTENDANCE

Andrew Lennard	Director of Research
Michael Kavanagh	IAASA Observer
David Tyrrall	DTI
David Watkins	HM Treasury
Simon Peerless	Secretary
Roger Nicklen	Minutes Secretary

Technical Staff: Jennifer Guest, Hans Nailor and Alan O'Connor.

APOLOGIES FOR ABSENCE were received from Marisa Cassoni and Peter Elwin.

1 MINUTES OF MEETING

The minutes of the meeting held on 25 October 2007 (2007:13) were agreed and approved for publication.

2 CHAIRMAN'S UPDATE AND REPORTS

2.1 The Board noted that the US Securities and Exchange Commission (SEC) had voted in favour of removing the requirement for reconciliation to US GAAP for non-US companies using IFRS as published by the IASB, with immediate effect, giving the EU a two year transition period for the carve-out from part of International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement'. The Board also noted that the SEC was to hold two stakeholder round table meetings during December on the proposal that US companies should be able to use IFRS.

2.2 The Board noted a Press Release from the IASC Foundation about a new governance strategy and a related announcement about setting up a new monitoring group within the IASC Foundation.

2.3 The Board noted that the publication date for the revision to IFRS 3 'Business Combinations' had been put back to January 2008 with an effective date of July 2009 and expressed concern about the implications if IFRS 3 (revised) was not adopted by the EU, as there would then be different accounting standards between the EU and the rest of the world, with a possible requirement for separate audit reports for compliance with full IFRS and for compliance with IFRS as adopted by the EU.

2.4 The Board noted that it was the IASB's intention to push ahead with its proposals on puttable instruments without re-exposure.

2.5 The Board received reports on meetings with ICAEW representatives in Brussels and with UKREP staff to discuss establishing better relationships with the European Parliament (EP).

2.6 The Board received a report on a meeting with the Head of Accounting at the European Commission (EC) to discuss the extent of support for the International Financial Reporting Standard for Small and Medium Sized Entities (IFRS for SMEs), the need for the EC not to prevent its use in member states and the benefits to the EC's deregulation objectives if the IFRS for SMEs could be used by mid-tier entities. The Board noted concerns about the views of the European Financial Reporting Advisory Group (EFRAG) and the EP on the proposed standard for SMEs.

2.7 The Board noted that the adoption of IFRS 8 'Operating Segments' was now complete.

2.8 The Board noted with some concern a proposed amendment to the EC regulations on recognition of third country GAAPs that could make it a condition that reciprocal arrangements for recognition of IFRS as adopted by the EU would need to be in place.

2.9 The Board noted the arrangements being made for impact assessments of IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (to be undertaken by EFRAG) and of IFRIC 12 'Service Concession Arrangements' (to be undertaken by the EC).

2.10 The Board received a report on a meeting between the Chairs of EFRAG and the UK, German and French standard setters aimed at determining working arrangements for the future, noting that issues still remained on the balance of work between EFRAG and those standard setters, how that should be organised and the role of other standard setters and on the range of tasks that EFRAG was taking on.

2.11 The Board noted the activity within the Financial Reporting Council to monitor current market turbulence, to look at the implications for current accounting standards and to ensure that the Financial Reporting Review Panel gave appropriate attention to relevant disclosures in financial statements. The Board acknowledged that there was an issue of confidence among investors about the consistency and relevance of valuations and indicated support for any action by the FRC that would

encourage disclosure of relevant information without adding unnecessarily to the level of disclosures.

2.12 The status report was approved for publication on the website.

3 FRC DRAFT PLAN AND BUDGET FOR 2008-09 (CORPORATE REPORTING), LONGER TERM STRATEGY FOR THE ASB AND THE ROLE OF THE CHAIRMAN

3.1 The Board considered a draft of the corporate reporting part of the FRC's plan for 2008-09 together with proposals for the Board's longer-term strategy and the role of the Chairman.

3.2 The Board discussed the assessments of the FRC's hoped for outcomes on corporate reporting and took the view that they could better reflect the extent of concerns about the implications of potential developments in the European Union that could impede the adoption of full IFRS.

3.3 The Board endorsed a longer-term strategy continuing that in the FRC's existing Strategic Framework subject to the possibility of being able to finalise the Board's strategy for convergence with IFRS.

3.4 The Board also discussed and agreed the key elements of the Chairman's role and emphasised the importance of it remaining a full-time job.

4 PERFORMANCE REVIEW

4.1 The Board considered proposals for carrying out a review of the Board's and Chairman's performance.

4.2 The Board discussed the arrangements for interviewing Board members, noted that the review of Board performance and Chairman's performance were to be carried out separately and emphasised the importance of having a structured approach to the reviews.

5 PENSIONS: DRAFT DISCUSSION PAPER

5.1 The Board considered and commented on the remaining draft chapters for the proposed Pensions Discussion Paper (DP).

5.2 The Board discussed, in the context of the overall summary, concerns around the volatility of actual returns as opposed to expected returns in terms of striking the earnings number and the issue of the adjustment for credit risk in the plan accounts being more in the nature of impairment.

5.3 On Chapter 5 '*Measurement of liabilities to pay benefits*', the Board noted, with approval, the inclusion of a comparison with some of the ideas in the recent insurance discussion paper and commented that this should be helpful to both debates.

5.4 On Chapter 11, '*Financial reporting by pension plans*', the Board emphasised the importance of the focus in the discussion of plan accounts being on the needs of the primary users of such accounts who were different from the users under consideration in all other parts of the DP.

6 EFRAG DISCUSSION PAPER ON REVENUE RECOGNITION

6.1 The Board considered a proposed response to the PAAinE discussion paper on Revenue Recognition.

6.2 The Board welcomed the issues raised in the discussion paper as a potential contribution to the debate but expressed concern about an imbalance in the presentation and development of the arguments in the paper, particularly as regards the position of the critical events model versus the continuous model and raised a number of other issues about the need to develop the justification of the assets to be recognised. The Board agreed that a revised draft response should be circulated for consideration outside the meeting.

7 RESPONSES TO FRED 41 'RELATED PARTY DISCLOSURES'

7.1 The Board considered the responses to FRED 41 'Related Party Disclosures' and agreed, subject to further consideration in the light of the final text of the IASB's amended IAS 24 'Related Party Disclosures':

- a. to replace FRS 8 with a new FRC based on the amended IAS 24;
- b. to remove the additional guidance on materiality from IAS 1 and allow users to fall back on the Statement of Principles;
- c. to ensure that the wording in FRS 8 in relation to disclosure exemptions was consistent with company law and to seek a means of assisting preparers with their understanding of what the law allowed;
- d. to keep the requirement to disclose key management personnel compensation;
- e. not to require disclosure of the names of transaction related parties; and
- f. that the benefits of introducing the new standard would outweigh any costs involved.

8 SORP FOR REGISTERED SOCIAL LANDLORDS

8.1 The Board considered the final draft of the proposed SORP for Registered Social Landlords.

8.2 The Board noted that the revised accounting treatment for shared ownership sales was more consistent with FRS 5 'Reporting the Substance of Transactions' than the treatment in the present SORP. Subject to a number of drafting improvements, the Board approved its Statement of Assurance on the SORP.

9 REPORTS OF THE OCTOBER MEETINGS OF EFRAG TECHNICAL EXPERTS GROUP (TEG) AND THE IASB

The Board noted the reports of the October meetings of EFRAG Technical Experts Group (TEG) and the IASB.

10 NEXT MEETING

Thursday 13 December, 9.00 a.m.