

ACCOUNTING STANDARDS BOARD

Minutes of a meeting of the Accounting Standards Board (2009:05) held on 23 April 2009 at Aldwych House, 71-91 Aldwych, London, WC2

PRESENT

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

IN ATTENDANCE

Andrew Lennard	ASB Director of Research
Rufus Rottenburg	BERR
Somir Ali	HM Treasury
Peter Godsall	Secretary
Roger Nicklen	Minutes Secretary

Technical Staff: Mario Abela (CMA), Michelle Crisp (MDC), Jennifer Guest, Melanie Kerr (MDK) and Seema Jamil-O'Neill.

APOLOGIES FOR ABSENCE were received from Marisa Cassoni and Ken Lever.

1 MINUTES

The minutes of the meeting held on 2 April 2009 (2009:04) were agreed and approved for publication, subject to amending paragraph 7.3 to reflect the Board's decision to reconsider its view on presentation of the actual return on assets held to fund pension liabilities.

2 CHAIRMAN'S UPDATE AND REPORTS

2.1 The Board:

- a. received reports on
 - i) the discussions so far during the International Accounting Standards Board (IASB) 22-24 April meeting, and

- ii) the National Standard Setters (NSS) meeting on 8-9 April and on discussions between the UK, Canadian, Australian and New Zealand standard setters on the future of the project to consider the implications for public benefit entities of the IASB/FASB conceptual framework project;
- b. noted
 - i) the plans for a forthcoming meeting of the interim European Financial Reporting Advisory Group (EFRAG) Planning and Resources Committee,
 - ii) that the Financial Reporting Council (FRC) response to the United States Securities and Exchange Commission (SEC) Roadmap for IFRS adoption was expected to be sent later that day or the next day by the Chief Executive following his meeting today with the IASB Chair, and
 - iii) publication of the FRC Plan for 2009/10;
- c. approved a proposal from the Chairman to invite the directors on the FRC Board to an ASB meeting for discussions on key financial reporting issues; and
- d. discussed arrangements for a further joint meeting with the German Accounting Standards Board (GASB).

2.2 The Board approved the Status Report for publication.

3 UPDATE ON ACCOUNTING DEVELOPMENTS AND IMPLICATIONS OF THE CREDIT CRISIS

- 3.1 The Board received an update on accounting developments and implications of the credit crisis, including:
- a. issues arising from the G20 meeting on 2 April,
 - b. publication by the US Financial Accounting Standards Board (FASB) of staff position papers (FSPs) affecting fair value measurement in other than orderly markets and other than temporary impairments for debt securities,
 - c. discussions on financial crisis issues at the NSS meeting on 8-9 April,
 - d. pressures on the IASB from European finance ministers to introduce the FASB FSPs into IFRS, and
 - e. IASB deliberations on financial crisis issues.

4 AMENDMENTS TO FRS 29 (IFRS 7) 'IMPROVING DISCLOSURES ABOUT FINANCIAL INSTRUMENTS'

4.1 The Board considered the responses to the Financial Reporting Exposure Draft (FRED) of Amendments to FRS 29 (IFRS 7) 'Improving Disclosures about Financial Instruments'.

4.2 The Board:

- a. noted that the overwhelming concern among respondents to the FRED had been that FRS 29 should remain converged with IFRS 7,
- b. agreed that additional guidance on application to interim statements would not be required in the UK,
- c. expressed reservations about the value of the credit risk disclosures for loans and receivables (required by paragraph 9 of IFRS 7 but not adopted when FRS 29 was first adopted) but concluded that the requirements should be included in FRS 29 in the interest of convergence, and
- d. considered whether an effective date of accounting periods beginning on or after 1 January 2009 was reasonable for UK entities, noted that early publication of the amendments should allow the entities affected sufficient time to prepare and concluded, again in the interest of convergence, that the effective date for the amendments to IFRS 7 should apply to the Amendments to FRS 29.

4.3 The Board approved the ASB Preface and the Amendments to FRS 29 (subject to fatal flaw review), effective for accounting periods beginning on or after 1 January 2009, with no requirement for restatement of comparatives.

5 ACCOUNTING FOR TAX

5.1 The Board considered progress with the joint ASB/ GASB tax project.

5.2 The Board:

- a. noted that the Advisory Panel (including corresponding members) were providing high quality expertise and input,
- b. endorsed the proposed working definition of corporate income taxes as "all taxes levied on the income of an entity",
- c. agreed that user needs should serve as the key design feature of the approach to tax accounting,
- d. agreed that tax planning was an important factor and that consideration needed to be given to ways of making its economic effects transparent,
- e. agreed that current tax gave rise to a liability and that deferred tax appeared not to give rise to assets and liabilities under the *Framework*.

However, deferred tax effects could not be ignored if accounts were to be representationally faithful and useful for users in predicting the implications of tax on future cash flows.

6 FUTURE OF UK GAAP

6.1 The Board resumed its consideration of the future of UK GAAP in relation to accounting for wholly-owned subsidiaries.

6.2 The Board:

- a. noted that the FRC's Complexity project would be suggesting that the accounting requirements for wholly owned subsidiaries should be reviewed so as to match requirements to user needs, and
- b. agreed to resume consideration of accounting for wholly-owned subsidiaries once the contents of the forthcoming IFRS for Small and Medium-Sized Enterprises¹ were known.

7 THE FINANCIAL REPORTING OF PENSIONS

7.1 The Board re-deliberated the provisional views in the PAAinE Discussion Paper (DP) 'The Financial Reporting of Pensions' in relation to Chapter 11 'Financial Reporting by Pension Plans', Chapter 3 'Assets and Liabilities: Reporting Entity Considerations', Chapter 6 'Measurement of Assets Held to Pay Benefits' and Chapter 5 'Measurement of Liabilities: Administration Expenses'.

7.2 The Board:

- a. reaffirmed its view that IAS 26 'Accounting and Reporting by Retirement Benefit Plans' should be withdrawn by the IASB;
- b. reaffirmed its view that the objective of pension plan financial reports was to provide information about the financial position, performance and changes in financial position of a pension plan that was useful to members, and those who acted in their interests, in making economic decisions and assessing the stewardship of trustees;
- c. reaffirmed its view that the assets held by the pension plan to pay benefits should be measured at current value, which is market value where the asset is traded on a market;
- d. reaffirmed its view that pension scheme financial statements should include the liability to pay future benefits and agreed to include in the

¹ The proposed title for this IFRS has changed several times. Most recently it was being referred to as the IFRS for Non-publicly Accountable Entities but its title is expected to change again to IFRS for Small and Medium-sized Enterprises.

final report a view that, in the light of the cost issues raised, there should be further investigation of costs before any new standard was implemented; and

- e. reaffirmed its preliminary view that, conceptually, the financial reports of pension plans should recognise an asset for contributions agreed with the employing entity but agreed that this would give rise to practical considerations in relation to which narrative disclosure of the way in which any finding gap was to be met might provide a more workable alternative.
- f. reaffirmed its view that pension plans should be subject to the same principles as were usually applied in determining whether consolidation was appropriate but agreed that more work but agreed that more work would be required to determine disclosures required in the financial statements.
- g. reaffirmed its view that assets held to pay benefits should be reported at current value (or estimated in the case of assets not traded in active markets in accordance with guidance in other accounting standards) and that the role of investment strategy in meeting obligations to pay benefits should be explained in financial statements.
- h. revised its view regarding the expenses of administering a plan's assets and liabilities, noted that the amounts were not likely to be material, and agreed they should be expensed as a matter of practicality.

8 CONTINGENT FEE ARRANGEMENTS

8.1 The Board considered a request from the Institute of Chartered Accountants in England and Wales (ICAEW) for further guidance on the treatment of costs incurred in a contingent fee arrangement that are incomplete at the period end, specifically on whether expensing costs as incurred or recognition as work in progress were permissible accounting alternatives.

8.2 The Board concluded that either treatment was permissible under UK GAAP.

9 EFRAG ENDORSEMENT ADVICE

9.1 The Board considered EFRAG's advice in relation to EU endorsement of:

- a. IFRIC 18 'Transfer of Assets from Customers';
- b. IFRIC 17 'Distributions of Non-cash Assets to Owners';
- c. Amendments to IFRIC 9 and IAS 39 'Embedded Derivatives'; and
- d. Amendments to IFRS 7 'Improving Disclosures about Financial Instruments'.

- 9.2 The Board approved responses to each of the invitations to comment supporting EFRAG's positive endorsement advice.

10 APPOINTMENTS TO UITF

- 10.1 The Board approved the re-appointment to the Urgent Issues Task Force (UITF) of Peter Holgate and Peter Chidgey for two-year terms running to 30 April 2011.
- 10.2 The Board also approved a process for the re-appointment when due of all members whose appointments were expiring during the remainder of 2011.

11 IASB UPDATES

The Board noted the 'Update' reports of the IASB meetings held in February and March.

12 INITIAL ACCOUNTING FOR INTERNALLY GENERATED ASSETS

- 12.1 The Board considered the Australian Accounting Standards Board's (AASB) Discussion Paper 'Initial Accounting for Internally Generated Intangible Assets'.
- 12.2 The Board approved a response welcoming the AASB's work on internally generated intangible assets but expressing a view that further work in this area is not a priority given the lack of demonstrated user need for this information. The response also suggested that if further work is undertaken, there is a need to expand the project beyond initial recognition and questioned the proposed reliance on certain assumptions made in IFRS 3 'Business Combinations'.

13 NEXT MEETING

Thursday 21 May, 9.00 a.m.