

ACCOUNTING COUNCIL

Minutes of the ninth Meeting of the Accounting Council (2013:02) held on 14 February 2013 at Aldwych House, 71-91 Aldwych, London, WC2

PRESENT

Roger Marshall	Chairman
Nick Anderson	
Richard Barker	
Edward Beale	
Robert Overend	
Andy Simmonds	
Pauline Wallace	

IN ATTENDANCE

Michelle Sansom	Director of Accounting
Matt Blake	HMRC
Andrew Lennard	Director of Research
Melanie McLaren	Executive Director, Codes and Standards
Karen Sanderson	HM Treasury
Simon Peerless	Minutes Secretary

Technical Staff: Mei Ashelford, Jenny Carter, Jennifer Guest, Seema Jamil-O'Neill, Andrew Jones and Deepa Raval.

Apologies were received from Peter Elwin and Ken Lever.

1 MINUTES AND NOTE OF MEETING

- 1.1 The minutes of the meeting held on 17 January 2013 (2013:01) were agreed and approved for publication.

2 DIRECTOR OF ACCOUNTING REPORT

- 2.1 The Council received a report from the Director of Accounting on developments relating to the FRC, the IASB, EFRAG and the European commission, and other UK developments.

2.2 The Council noted:

- a. the FRC Board's consideration of its Advice on FRS 102;
- b. evidence given by the Chairman and Stephen Haddrill to the Banking Commission;
- c. recent IASB publications;
- d. the IASB's progress on establishing its Accounting Standards Advisory Forum;
- e. the meeting of the IASB's Disclosure Forum on 24 January;
- f. the meeting of the IASB's SME Implementation Group on 4-5 February;

- g. the meeting of the IFRS Interpretations Committee on 23-24 January;
 - h. the IASB's meeting from 20-31 January and the issue of an exposure draft of an amendment to IAS 39 and IFRS 9 relating to novations;
 - i. the January meeting of EFRAG TEG; and
 - j. the forthcoming Accounting Regulatory Committee meeting on 22 February.
- 2.3 In relation to FRS 102, the Council
- a. noted drafting comments and other issues raised by 'fatal flaw' reviewers;
 - b. expressed its thanks to those who carried out the detailed reviews for the Council; and
 - c. agreed to amend draft FRS 102 to incorporate the exemption currently in FRS 1 relating to cash flow statements of insurance entities.
- 2.4 The Council considered an issue relating to FRS 101 and the requirement to obtain shareholder consent for the use of the reduced disclosure framework. The Council concluded that no amendment to FRS 101 should be proposed.

3 ACCOUNTING RESEARCH ACTIVITIES AND DEVELOPMENTS

- 3.1 The Council received a report from the Director of Research.
- 3.2 The Council noted:
- a. the discussions at the EFRAG PRC meeting on 7 February;
 - b. the current position on the conceptual framework project, including the issue of an issues paper 'Getting a Better Framework' and proposals for further bulletins on stewardship and on the balance sheet focus of the Framework.
- 3.3 The Council commissioned further research on stewardship and a draft bulletin on the balance sheet focus for consideration at a future meeting.

4 CONCEPTUAL FRAMEWORK - PRUDENCE

- 4.1 The Council considered a draft bulletin on prudence, to be issued by the four European National Standard Setters and EFRAG as part of its project to influence the IASB's consideration on the conceptual framework.
- 4.2 The Council made several suggestions on the draft for incorporation in the final text of the bulletin.

5 HEDGE ACCOUNTING

- 5.1 The Council took as read a paper on the IASB's Review Draft of IFRS 9 General Hedge Accounting and its effects on macro hedge accounting.

6 IASB ANNUAL IMPROVEMENTS 2011-2013 CYCLE

- 6.1 The Council considered the IASB's exposure draft 'Annual Improvements to IFRSs 2011-2013 Cycle'.
- 6.2 The Council:
- a. agreed with the proposed amendment in the exposure draft; and

- b. expressed the view that amendments should not be made to the Basis of Conclusions of an IFRS as a means of clarifying the requirements of the standard itself.
- 6.3 The Council approved responses to the IASB and EFRAG incorporating these views.

- 7 BEARER BIOLOGICAL ASSETS
- 7.1 The Council considered the IASB's tentative conclusions on its project to amend IAS 41 'Agriculture' in relation to bearer biological assets (BBAs).
- 7.2 The Council:
 - a. reiterated its view that the IASB should carry out a comprehensive review of IAS 41 rather than consider a limited amendment; and
 - b. expressed the view that the tentative conclusion definition for BBAs was flawed, and that the distinction should instead be based on the business model of the entity.
- 7.3 The Council commissioned a letter to be sent to the IASB expressing these views.

- 8 SHARE-BASED PAYMENT
- 8.1 The Council received an update on the preliminary outreach exercise carried out to ascertain views on the accounting for employee share options by unlisted companies.
- 8.2 The Council:
 - a. noted that although concerns had been raised by users, the level of response was insufficient to reach conclusions on the need for change.
 - b. agreed that the users most likely to be affected by information on employee share options in the financial statements of unlisted entities were shareholders who were not involved in the management of the entity.
- 8.3 The Council commissioned plans further outreach to obtain the views of users in this category.

- 9 STEWARDSHIP – OUTREACH PROJECT
- 9.1 The Council received an update on the outreach project on understanding whether financial statements provided users with adequate information for assessing stewardship.
- 9.2 The Council made several suggestions for incorporation into the questionnaire to be used in carrying out interviews with users.

- 10 INSURANCE
- 10.1 The Council received an update on the development of a UK accounting standard FRS 103 'Insurance Contracts'.
- 10.2 The Council expressed the view that:
 - a. in adapting the requirements of IFRS 4 for application in the UK, possible unintended consequences needed to be identified;

- b. a principle should be established that FRS 103 should not impose greater burdens on entities within its scope than the requirements of IFRS for listed companies, unless these were consequences of companies legislation or were justified as arising from the Penrose Report on Equitable Life;
 - c. the implications for entities required to adopt the new FRS needed to be fully understood and communicated;
 - d. further debate was needed on whether the criteria in IFRS 4 for a change of accounting policy for insurance contracts could be incorporated into FRS 103 as they stood or whether different criteria would be appropriate; and
 - e. the proposed timetable for issue of the FRS was ambitious.
- 10.3 The Council approved the proposals for FRS 103 subject to the above views.
- 11 SORPS
- 11.1 The Council received an update on the status of UK Statements of Recommended Practice (SORPs).
- 12 OTHER BUSINESS
- 12.1 The Chairman thanked Robert Overend and Peter Elwin, whose terms of appointment to the Council were coming to an end, for their long service on the Council and on the Accounting Standards Board.
- 13 NEXT MEETING
- Thursday 14 March at 9.00 a.m.