

## ACCOUNTING COUNCIL

### Minutes of the Meeting of the Accounting Council of the FRC held on 16 May 2013 in the Boardroom, Aldwych House, 71-91 Aldwych, London, WC2B 4HN

PRESENT:	Roger Marshall	Chairman
	Nick Anderson	Council Member
	Anthony Appleton	Council Member
	Richard Barker	Council Member
	Chris Buckley	Council Member
	Ken Lever	Council Member
	Liz Murrall	Council Member (to minute 8)
	Andy Simmonds	Council Member
IN ATTENDANCE:	Mei Ashelford	Project Manager
	Matt Blake	HMRC Observer
	Jenny Carter	Project Director
	Grant Chatterton	Project Director
	Francesca Chittenden	Council Secretary
	Jonathan Compton	Secondee, Accounting team
	Seema Jamill-O'Neill	Project Director
	Andrew Jones	Secondee, Accounting team
	Michael Kavanagh	IAASA Observer
	Andrew Lennard	Director of Research
	Helen Lloyd (by telephone)	Project Manager (minute 8 only)
	Melanie McLaren	Executive Director
	Deepa Raval	Project Director
	Michelle Sansom	Director of Accounting
	Karen Sanderson	HM Treasury
	Joanna Spencer	Project Director

#### 1. APOLOGIES AND INTRODUCTIONS

- 1.1 Apologies were noted from Mike Ashley (EFRAG observer), Edward Beale (Council Member) and Pauline Wallace (Council Member).
- 1.2 The Chairman welcomed the three new Council members and the new Council Secretary Francesca Chittenden.

#### 2. MINUTES OF THE MEETING HELD ON 10 APRIL 2013 AND ACTION LOG

- 2.1 The minutes of the meeting held on 10 April (2013:04) were agreed and approved for publication.
- 2.2 The Council reviewed and noted the log of actions arising from the previous meeting.

## **DIRECTORS REPORTS**

### **3. Director of Accounting**

- 3.1 The Council received an update from the Director of Accounting on developments relating to the International Accounting Standards Board (IASB), international accounting, the European Financial Reporting Group (EFRAG), the European Commission and the UK.
- 3.2 The Council noted that a request had been received relating to ECO obligations and the new legislation requiring energy firms to provide energy saving devices to low income homes. The Council directed staff to meet with industry representatives to discuss how the obligations are being accounted for.
- 3.3 The Council noted that the Chief Executive and Director of Codes & Standards were due to meet with the new Chair of the Financial Accounting Standards Board (FASB).

### **4. Director of Research**

- 4.1 The Council received a report from the Director of Research and noted updates from the following meetings:
- a. The 17-18 April IFASS meeting in Sao Paulo;
  - b. The 2 April meeting of EFRAG's Planning and Resources Committee;
  - c. The 7 April meeting of European Accounting Association.
- 4.2 The Council noted the topics which had been identified by IASB for future research and would be brought to the Council at its next meeting.

## **ANNUAL REPORTS**

### **5. Narrative Reporting**

- 5.1 The Council reviewed a paper entitled Annual Reports and noted that a work stream had been established to bring together the individual projects relating to Annual Report.
- 5.2 The Council noted the updates in relation to the various projects and provided views on the development of each of the projects.

## **INFLUENCING**

### **6. Conceptual Framework**

- 6.1 The Council received an update on the IASB's Conceptual framework project.
- 6.2 The Council considered draft Bulletins for publication as part of the joint FRC/ANC/ACSG/OiC/EFRAG initiative on the conceptual framework project. The bulletins included:
- The role of a Conceptual Framework
  - The Asset / Liability Approach
  - Performance Reporting

- The role of the business model
- Measurement

6.3 The Council provided comments and suggestions for consideration in finalising the Bulletins.

## **UK GAAP**

### **7. FRS 103**

7.1 The Council considered the draft exposure draft of FRS 103 *Insurance Contracts*.

7.2 Having regard to the overall aim of aligning FRS 103 with IFRS 4 and maintaining current accounting practice the Council expressed the following views:

- a. insurers should be required to identify separable embedded derivatives in insurance contracts and account for them separately (unless they are insurance contracts themselves);
- b. consistently with IFRS 4 excessive prudence may be retained only where it is consistent with an existing accounting policy;
- c. the guidance on the longer term rate of investment return from the SORP should be included within an appendix in draft FRS 103, and,
- d. for consistency with company law IFRS 4.25(a) should be amended in draft FRS 103 to permitting non-discounting, even as a new accounting policy, where legislation requires it
- e. disclosure of claims development should be based on the requirements of IFRS 4, which requires more information than company law – the exposure draft should ask respondents views on this.

### **8. Hedging accounting in FRS 102 – High level decisions**

8.1 The Council considered a report on how Hedge Accounting could be incorporated in to section 12 of FRS 102.

8.2 The Council expressed the view that:

- a. amendments should be made to section 12 to align it with full IFRS;
- b. the IFRS 9 criteria should be adopted in relation to effectiveness;
- c. discontinuation should be permitted within section 12;
- d. it is too early to decide on whether a third business model should be included;
- e. the guidance on fair value should be expanded so that it is comparable with IFRS 9 and illustrative examples should be provided within the guidance.

### **9. Charity SORP ED**

9.1 The Council considered the Charity SORP Consultation Draft and subject to drafting changes the Council accepted the staff recommendation that the SORP making body may issue the draft Charity SORP for consultation.

## **ANY OTHER BUSINESS**

### **10. IFRS for SMEs**

10.1 The Council noted the IASB Comprehensive Review of the IFRS for SMEs.

**11. Rate Regulation**

11.1 The Council received an update on the IASB's project to develop an interim standard on rate-regulated activities and endorsed a response.

**12. Response to IAS19 'Employee Benefits'**

12.1 The Council agreed the FRC response for approval, subject to the amendment of a minor typographical error.

**TABLED DOCUMENTS**

**13. Re-appointment to CAPE**

13.1 The Council approved the re-appointment of Stephen Warren to the Committee on Accounting for Public-Benefit Entities.

**14. RSL SORP Working Party**

14.1 The Council approved the appointment of Philip Clifflands as a member of the RSL SORP Working Party.

**15. NEXT MEETING**

Thursday 20 June 2013 at 09.00am.