

In the July 2008 issue

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European statement on the current market turmoil

ASB Chairman Ian Mackintosh and his counterparts in France and Germany, together with the Chairman of the European Financial Reporting Advisory Group (EFRAG), issued a joint statement on 11 July setting out their agreed views on the financial reporting issues arising from the current market turmoil.

Over the last twelve months, many capital and other financial markets have experienced considerable difficulties. These difficulties, which would appear to be the result of problems that started in the US subprime mortgage sector in 2007, have had a number of consequences, both for companies and for markets. Steps are now being taken to re-establish confidence.

At such times, it is essential that appropriate action is taken to ensure that the interests of European stakeholders are looked after properly. As a result, some pan-European commentators have asked EFRAG what, if anything, it intends to do to safeguard the European interest. National commentators in Europe have been asking their national standard-setters the same question.

The Chairs of EFRAG, the ASB in the UK, the CNC in France and the GASB in Germany have discussed this matter and have agreed views on the issue. They therefore thought it would be helpful to issue a joint statement explaining their position.

The ASB, CNC, EFRAG and GASB take very seriously the questions that are

being asked about financial reporting as a result of the current market turmoil. While we do not believe that financial reporting has caused the crisis as some have claimed, we do believe it is essential that a comprehensive review is carried out of existing external financial reporting requirements to determine whether any of those requirements has intensified some or all of the problems that have arisen. It is also essential that any weaknesses identified in the financial reporting requirements are addressed and improvements made as a matter of priority.

A number of bodies have carried out work on this subject and have suggested that the main areas worth exploring further are:

- The consolidation model, particularly in the context of SPEs.
- Derecognition and the disclosures provided about off-balance sheet items, particularly those items that were near to being recognised.
- The requirement to measure many financial instruments at fair value, how that requirement should be applied particularly in illiquid markets
- The disclosures that should be provided to support the measure used.

In response to the credit crisis, the IASB has undertaken to carry out and complete in a timely fashion work on all these areas. It has also undertaken to consider whether other improvements in IFRSs are necessary in the light of recent experience.

In our view, the IASB should be the body that first responds to the accounting issues arising as a result of the current market turmoil.

However, if the IASB is to be able to move quickly and with confidence, it is important that it receives timely and high quality advice from bodies such as ourselves. Therefore, we will follow closely the IASB's work and on a timely basis provide advice and other comments to help the IASB complete its work effectively and quickly, and evaluate and respond to any other relevant proposals on the subject that might affect financial reporting.

In this situation we recognise and accept that it might be necessary for the IASB to adopt some sort of modified due process in developing its response.

FRC tackles complexity in corporate reporting

As noted in *Inside Track 55*, the FRC is carrying out a project to review the complexity and relevance of current corporate reporting requirements. It has identified the complexity issue as one of the most serious threats to confidence in corporate reporting.

The ever-increasing size and complexity of company reports has become a subject of growing concern among investors, accountants, auditors and others with an interest in clear and accurate corporate reporting. Yet attempts to date to simplify or streamline reporting rules and requirements have always been met with stiff resistance from one or more interested groups.

The project aims to engage a variety of different user and prepare groups such as finance team members, investor relations and reporting teams, sell-side analysts and buy-side analysts. Each of these groups experiences the complexity of corporate reporting in different ways.

The project aims to identify both the common problems that all these groups experience as well as challenges specific to one group. For example, the finance function is more exposed to the complexity of the detail of the IFRS literature, whilst the other groups are more exposed to the outcomes of applying the literature.

The project is being supported by a Complexity Advisory Panel – a group of senior executives experienced in the world of preparing, communicating and analysing corporate information – which held its first meeting on 15 July.

Further details on the complexity project can be found on the following website: http://www.frc.org.uk/about/complexity_panel/index.cfm.

Reducing complexity in measurement for financial instruments

In *Inside Track 55*, we summarised the main points in the IASB's discussion paper on reducing complexity in measurement of financial instruments. Since then, the ASB has discussed on two occasions how it might respond to the discussion paper. In addition, a meeting was held with a number of accounting and industry representatives to consider what positive suggestions could be made.

There is a general consensus that IAS 39 is overly complex, but few find the IASB's suggestions for addressing this immediately attractive. Although disclosure of fair value information is considered important, adoption of a full fair value approach, under which all financial instruments would be measured at fair value with all gains and losses included in profit and loss, is not seen by many as an acceptable approach – at least in the short term. There are still many practical difficulties in calculating fair values in illiquid markets, and the current market turmoil has emphasised these difficulties.

Furthermore, few believe that simply showing the changes in fair value as gains and losses will provide useful information on the performance of the business. These gains and losses would need to be analysed into their various components, and aggregated in different ways, possibly introducing complexity into performance reporting. It is important that management are able to distil these results into a simple message for users when announcing their results.

There are also differing views on whether fair value, as defined by the IASB, is more relevant than other current values such as settlement value.

Reductions in complexity are more likely to be achieved in the short term

by revising the IAS 39 requirements. A particular area is hedge accounting, where the highly complex effectiveness rules could be largely removed – provided there was a requirement for all ineffectiveness to be measured and included immediately in profit or loss.

Other suggestions include deleting the 'held-to-maturity' classification of financial assets, which some view as having little practical purpose. Further simplification would be possible by revisiting the scope of the standard, particularly in relation to embedded derivatives.

Finally, there is also the view that IAS 39 is likely to remain in place for many years to come; there would be substantial benefits in allocating resources to redrafting some of the more complicated aspects of the standard, without changing its main principles.

The ASB will continue to develop its response to the IASB discussion paper over the summer. The IASB comment deadline is 19 September.

European Developments

Conceptual Framework

In May the IASB and FASB issued two consultation documents as the next steps in their project to revise the conceptual framework.

The first document is an exposure draft (ED) of chapters 1 and 2 of the framework. It seeks views on the objective of financial reporting, the qualitative characteristics of information provided by financial reporting and constraints on the provision of that information. The draft reflects the boards' updated proposals in the light of comments received on an initial discussion paper (DP) published in July 2006.

The proposed objective of financial reporting is now to provide financial information that is useful to present and potential equity investors, lenders and other creditors in making decisions in their capacity as capital providers and the ED explains that this includes the assessment of stewardship.

The description of 'faithful representation' (one of the qualitative characteristics of financial reporting) is also amended. A large number of respondents to the DP raised objections to the removal of reliability from the qualitative characteristics. However, the proposals in the ED do not reinstate this.

The IASB and FASB also published a DP on the reporting entity concept. The boards' preliminary views are:

- a reporting entity is a circumscribed area of business activity of interest to present and potential equity investors, lenders and other capital providers.
- control is the basis for determining the composition of a group reporting entity.
- consolidated financial statements should be prepared from the perspective of the group reporting entity.

Copies of the above documents can be obtained from the IASB website www.iasb.org for comment by 29 September 2008.

EU Endorsement of IFRS

Any new or revised IFRS or IFRIC Interpretation has first to be endorsed for use in the EU before it can be applied by EU-listed companies in their consolidated financial statements under a process first set out in Regulation 1606/2002, and as amended in Regulation 297/2008 (see *Inside Track* 55).

During June EFRAG issued its latest report showing the status of endorsement for application in the EU of each IFRS and IFRIC Interpretation. The report can be downloaded from the EFRAG website at: <http://www.efrag.org/news/detail.asp?id=214>.

Currently, the following IASB pronouncements have yet to be endorsed for use in Europe:

Revised IFRS 3 *Business Combinations* (January 2008)

Improvements to IFRS (May 2008)

Amendment to IAS 23 *Borrowing Costs* (March 2007)

Amendments to IAS 1 *Presentation of Financial Statements* (September 2007)

Amendments to IAS 27 *Consolidated and Separate Financial Statements* (January 2008)

Amendment to IFRS 2 *Share-based Payment: Vesting Conditions and Cancellations* (January 2008)

Amendments to IAS 32 and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation* (February 2008)

Amendments to IFRS 1 and IAS 27 *Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate* (May 2008)

IFRIC 12 *Service Concession Arrangements* (November 2006)

IFRIC 13 *Customer Loyalty Programmes* (June 2007)

IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements, and their Interaction* (July 2007).

EFRAG enhancement

Discussions have been taking place for some time between representatives of EFRAG, the European Commission and the major European standard-setters, including the ASB, on enhancing the governance structure and resources of EFRAG in order to build a stronger European contribution to financial reporting issues. EFRAG is currently preparing a document for public consultation setting out proposals on how this might be achieved.

EFRAG Annual Review

EFRAG's Annual Review for 2007 was published on 2 July and can be accessed at: <http://www.efrag.org/news/detail.asp?id=220>.

Update on Current P

Related party disclosures

FRED 41 (published in July 2007) contained proposals to replace FRS 8 with the requirements of IAS 24 *Related Party Disclosures* (incorporating amendments proposed by the IASB in a February 2007 exposure draft). It was envisaged that the amended FRS would be issued in the summer of 2008 simultaneously with the IASB issuing the amended IAS 24. However, following the IASB's revision of its technical plan, the amended standard is now expected to be issued in the last quarter of 2008. The ASB continues to monitor the IASB's redeliberation and plans to issue the UK standard based on the amended IAS 24 as soon as this is available. If the timetable proceeds as planned, the UK standard will be issued in time for most entities to comply with the new standard at the same time as the changes to company law introduced by the Companies Act 2006 and effective for periods commencing on 6 April 2008, although some entities with a short accounting period commencing after that date and subject to the new statutory requirements may still fall within the current standard.

ASB Pension Project

The comment deadline for the ASB discussion paper *The Financial Reporting of Pensions* ended on the 14 July. The ASB has received over 90 responses to the paper and will now commence the task of analysing the responses and consulting with advisory boards on the key matters raised. The ASB anticipates publishing its response to the comments raised by constituents in the first quarter of 2009.

IASB Technical Plan

Following a discussion at its June 2008 meeting, the IASB has issued the latest version of its Technical Plan on the website. The revised Plan can be accessed on the IASB's website at: <http://www.iasb.org/Current+Projects/IASB+Projects/IASB+Work+Plan.htm>.

The Plan sets out the IASB's expected timetable for the next three years for projects on both its active and research agendas. An important element of the Plan is an update of the 2006 Memorandum of Understanding (MoU) with the US Financial Accounting Standards Board (FASB) directing the work of both Boards through to 2011. The Plan is an ambitious one, both for the IASB itself and for constituents. For example, it assumes that a further 11 consultation documents (either discussion papers or exposure drafts) will be published during the rest of 2008.

Extractive industries research project

At its June meeting the IASB held another education session on extractive industries, considering issues related to the initial recognition of reserves, resources and related assets in the minerals and oil & gas industries. The discussion included the basic approach to recognition of extractive industries assets and whether initial recognition should be linked to particular phases of upstream extractive activities or to the Framework definition of an asset.

The IASB plan to discuss disclosures at their next meeting, and a discussion paper is expected to be completed by the end of 2008.

Earnings per Share

The IASB has reached conclusions on the proposed amendments to IAS 33 Earnings per Share and an exposure draft is expected to be published shortly.

Leases

At their July meetings the IASB and FASB are considering a proposal to defer addressing lessor accounting in the joint project on leasing, and to develop a standard for lessees that would require the current finance lease accounting model to be applied to all operating leases. A discussion paper setting out this approach is planned for later in 2008.

Financial statement presentation

At its June meeting the IASB made a number of decisions regarding the financial statement presentation discussion paper that is intended for publication in September 2008.

The IASB confirmed its decision to alter the scope of the discussion paper to retain existing guidance regarding presentation of other comprehensive income, items that are reported inside and outside net income, and the recycling mechanism. The IASB stated its intention to present a preliminary view that there should be a single statement of comprehensive income with other comprehensive income items presented in a separate section, as currently described in IAS 1. In earlier meetings the IASB considered showing a number of presentation options, including a long term presentation option with no recycling or separate section for other comprehensive income, as examples in the discussion paper.

Given the scope change discussed above, the IASB also decided that income taxes should continue to be allocated among items of comprehensive income and that the project should not alter existing earnings per share requirements.

The IASB discussed the definitions of the operating and investing categories in the financial statements, along with some of the practical aspects of presenting items in the financial statements by category, such as

allocating basket transactions and presentation of gains and losses arising from foreign currency transactions.

IFRS for private entities (small and medium-sized entities)

The IASB has started the process of re-deliberating the proposals in the exposure draft (ED) of a proposed IFRS for Private Entities (as the IFRS for SMEs is now called). To date these discussions have focused on general matters (ie those not related to a specific section of the ED) and issues relating to certain sections of the ED (1 to 12), excluding disclosure issues and requests for additional guidance. It is planned that at the July meeting the IASB will discuss the remaining sections and consider the disclosure issues. A revised draft will then be developed for approval in the fourth quarter of 2008 and issue in the first quarter 2009.

Hedge accounting

In May 2008, the IASB decided that amendments to IAS 39 should address only two situations:

the designation of a purchased option in its entirety as a hedging instrument of an item that contains no optionality, in such a way that no ineffectiveness results; and the hedging of inflation risk in particular situations.

The comment letters confirmed that diversity in practice existed in these two areas.

It also decided on an effective date of 1 January 2009, and that the amendments should be applied retrospectively. The IASB instructed the staff to prepare a ballot draft of the amendments, for issue before the end of 2008.

ASB amendments to standards

FRS 25 Puttable Financial Instruments amendment to be issued

During March 2008 the ASB issued an exposure draft of an amendment to FRS 25 (IAS 32) 'Financial Instruments: Presentation', to change the classification from liabilities to equity of certain financial instruments. The issuance of the exposure draft followed a final amendment to IAS 32 'Financial Instruments: Presentation' issued by the IASB in February 2008.

The ASB has now finalised the amendment taking into account the constituent comments and the final amendment will be published in August.

Updated FRSSE issued

In June, the ASB issued an updated version of the Financial Reporting Standard for Smaller Entities (FRSSE) to reflect changes in company law arising from the Companies Act 2006. No changes were made to the requirements that are based on accounting standards. The updated FRSSE (effective April 2008) applies to accounting periods beginning on or after 6 April 2008, the date from which the accounting and reporting regime for smaller companies in the 2006 Act becomes effective. Early adoption is not permitted; hence smaller companies should continue to use the FRSSE (effective January 2007) for earlier accounting periods. The main impact of the 2006 Act is to set out the accounting and reporting requirements for small companies in a separate regulation. This is largely a tidying-up exercise with few substantive changes being made. The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 set out these requirements and the most significant changes include:

- a 20 per cent increase in the thresholds for companies and groups to qualify as small; and
- a new requirement for separate disclosure of 'political donations

and expenditure' and 'charitable donations'. The threshold for reporting these donations in the directors' report has increased to £2,000.

The derivation table on the ASB website, reconciling individual paragraphs in the FRSSE to their legislative source, has also been updated.

Heritage Assets exposure draft

In June, the ASB issued Financial Reporting Exposure Draft (FRED) 42 'Heritage Assets' which aims to improve the quality of the financial reporting of heritage assets. The proposed standard will apply not only to museums and galleries, but also to other entities that house historic collections of art, antiques and books, or that own or manage land or buildings with important environmental or historical qualities.

The main feature of the proposals is that enhanced disclosures should apply to all entities that hold heritage assets, regardless of whether these assets are reported in the balance sheet. These disclosures should provide readers with an understanding of the asset values being reported as well as the entity's policies for managing its total holding of heritage assets.

The proposals also require heritage assets to be reported in the balance sheet where information is available on cost or value. The ASB remains of the view that heritage assets are assets and that the best financial reporting is secured when they are reported as such in the balance sheet.

Accounting for heritage assets presents some very difficult and challenging issues and, having considered a number of alternative approaches, including those proposed in the Discussion Paper 'Heritage Assets:

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ASB amendments to standards

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Can accounting do better?' (January 2006) and FRED 40 'Accounting for heritage assets' (December 2006), the ASB is not persuaded there is a better accounting solution than the current FRS 15 based requirements. The ASB does, however, expect the enhanced disclosures that are proposed in FRED 42 to significantly improve the financial reporting of heritage assets and thereby contribute to better financial management in this important sector. Comments on FRED 42 are requested by 10 October 2008.

Annual Improvements exposure draft

The ASB issued a Financial Reporting Exposure Draft (FRED) of Improvements to Financial Reporting Standards in June 2008.

The amendments proposed in the FRED arise as a consequence of the IASB's annual improvements process. In May 2008 the IASB issued 'Improvements to IFRSs', which made amendments to a number of standards.

The proposals in the FRED seek to maintain the existing levels of convergence between UK and IFRS. They include the same improvements to UK FRS as those made to IFRS where the UK standard is based on its international equivalent.

In addition the ASB has taken this opportunity to propose other improvements to UK FRS which have been brought to its attention; to update UK IFRS-based FRS where the equivalent IFRS has been amended or updated; and finally to update UK FRS for editorial changes. Each of these is dealt with in a separate section of the FRED.

The ASB is inviting comments on its proposals by 27 September 2008.

ASB responds on equity and liability classification

The ASB has recently submitted its response to the IASB on its recent discussion paper on equity and liability classification.

As noted in *Inside Track 55*, FASB published a Preliminary Views document *Financial Instruments with Characteristics of Equity* in November 2007. That paper discusses three possible approaches to distinguishing between liabilities and equity. However, it favours the 'basic ownership' approach which limits the instruments that can be classified as equity to the lowest residual interest in the entity.

The IASB issued that document as part of an IASB discussion paper in February 2008. The IASB paper compares and contrasts the three 'FASB approaches' with the existing IFRS approach, set out in IAS 32 *Financial Instruments: Presentation*. The IASB requested comments by 5 September 2008.

The ASB response raises a number of key concerns with the IASB and FASB papers. These include:

- The papers make little attempt to align the proposals with the current project on the conceptual framework.
- The papers appear to focus on dealing with the problems in US GAAP, with little analysis of how the proposals might apply in other jurisdictions, including those that have given rise to recent amendments to IAS 32.
- The scope of the project has been limited to the three approaches presented in the FASB paper so that other potentially viable approaches have been dismissed without analysis.
- The definitions of equity explored in the FASB paper make no reference to the definition of liabilities, potentially leading to greater structuring opportunities.

The ASB recommends that the boards take a long-term view of this project to ensure that:

- time is given to a comprehensive review of other alternatives available;
- all aspects – classification, measurement and presentation – are considered together; and
- the final approach adopted is consistent with the Framework and other IFRS literature.

The response is available from the ASB website.

The ASB has also submitted its response to the recent PAAinE discussion paper that set out a further possible approach to the distinction between equity and liability. Under this approach, the so-called loss absorption approach, the sharing of losses is the decisive factor in distinguishing equity from liability, and any capital available to absorb an entity's losses classified as equity.

The paper was prepared to stimulate and contribute to the ongoing debate on the subject and can be downloaded from the ASB website at http://www.frc.org.uk/documents/pagemanager/asb/0801_PAAinE_DP%20Equity-Liabilities.pdf.

The ASB response states that the PAAinE paper is a welcome contribution to the discussion and that the Board would like to see this approach developed more fully and considered as part of the international debate on the distinction between equity and liability.

UITF Update

Contingent fee arrangements

The UITF has responded to enquiries regarding contingent fee arrangements. Contingent fee arrangements arise where the terms of the contract are such that a fee is payable depending on an outcome or event (e.g. no win no fee arrangements). The enquiries sought guidance on the accounting for such arrangements including whether the resolution of a contingent event in the post balance sheet period was an adjusting or non-adjusting event in accordance with FRS 21 'Events after the balance sheet date'. The response to the enquiries notes that the resolution of such an event is a condition that arises after the balance sheet date. As a consequence the position taken at the balance sheet date should not be amended following resolution of the event in the post balance sheet period.

Disclosure of off-balance sheet arrangements

The ASB recently issued a press notice on behalf of the UITF following the UITF receiving an enquiry expressing concern that the new requirement regarding disclosure of off-balance sheet arrangements set out in section 410A of the Companies Act 2006 lacks clarity. The new requirement (which applies in relation to financial years beginning on or after 6 April 2008) does not contain a definition of an off-balance sheet arrangement despite requiring disclosure of such arrangements.

The UITF agreed with the concern regarding the clarity of the requirements but concluded it could not issue an Abstract without a definition of an off-balance sheet arrangement being in place. The UITF provided, however, the following points by way of guidance:

- when a company provides disclosures in accordance with s410A it should consider the types of transactions envisaged by the

Commission and the aim of the legislation;

- s410A applies only where, at the balance sheet date, the risks or benefits arising from arrangements are material;
- disclosure need only be given to the extent necessary for enabling the financial position of the company to be assessed; and
- some standards, for example FRS 5 'Reporting the substance of transaction' and SSAP 21 'Accounting for leases and hire purchase contracts', require disclosures that address items not necessarily included in the balance sheet. Consequently companies are already required to provide some disclosures regarding off-balance sheet arrangements. Companies will, in addition, need to consider whether arrangements outside of the scope of these standards require disclosure in accordance with s410A.

Cash-box structures

The UITF decided not to add a request to provide guidance relating to arrangements known as 'cash-box structures' to its agenda. The request for guidance raised a concern about the possible artificial creation of distributable profits.

The UITF concluded that distributable profits are a matter of the application of the Companies Act and relevant technical guidance. The UITF also noted that the distributable profits working party of the Institute of Chartered Accountants in England and Wales (ICAEW) and the Institute of Chartered Accountants of Scotland (ICAS) was already considering the generation of distributable profits through cash-box structures.

UITF Abstract 43

The UITF considered whether to withdraw or amend UITF Abstract 43 'The interpretation of equivalence for the purpose of Section 401(2) of the

Companies Act 2006' in the light of recent technical advice given by the Committee of European Securities Regulators (CESR). The UITF:

- noted the recent technical advice from CESR on the equivalence to IFRS of US, Japanese and Chinese GAAPs for the purposes of the Prospectus Directive and Regulation and the Transparency Directive and the European Commission's proposals for accepting that advice;
- recognised that the advice from CESR moved things on from the position when UITF Abstract 43 was published;
- confirmed that the consensus in UITF Abstract 43 nevertheless remained correct; and
- agreed not to amend or withdraw UITF Abstract 43 at this stage noting that the test for equivalence was different between the Transparency and Prospectus Directive and the 7th Directive.

FRS 26 (IAS 39) – Paragraph AG62

The UITF considered whether the principle for derecognition of a liability and recognition of a new liability when there was an exchange of debt instruments with different terms between an existing borrower and a lender under IAS 39 *Financial Instruments: Recognition and Measurement* was overridden by the bright line test in application guidance (IAS 39 AG62) and whether the issue should be referred to the IASB for consideration under its annual improvements programme.

The UITF acknowledged that the application guidance in AG 62 sets out a bright line test but also noted that use of the application guidance seemed to be working and in practice other elements of the exchange are taken into consideration. The UITF decided not to take the issue onto its agenda.

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UITF Update

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IFRIC Update

At its July meeting the IFRIC commenced its redeliberations of D24 *Customer Contributions* and D23 *Distributions of non-cash assets to owners*.

The IFRIC decided to continue its discussions in relation to D24 and at its next meeting would consider how to account for the credit side of the accounting entry arising from the recognition of the asset at fair value. The discussion would consider further whether the contribution of the asset gave rise to a performance obligation and, if so, at what point was it appropriate to recognise revenue. The IFRIC would also consider whether indicators should be provided to determine when an obligation exists.

In relation to D23 the IFRIC considered whether to extend the scope of the draft Interpretation to include common control transactions and to provide an option to recognise the dividend liability either at the fair value or the book value of the assets to be distributed. The IFRIC tentatively decided not to extend the scope of the draft Interpretation but to provide greater clarity of the scope. The IFRIC tentatively decided not to introduce an accounting policy choice for the measurement of the dividend and also that IFRS 5 should be applied to the distribution of non-cash assets to owners.

SORPs Update

Local Authorities

The CIPFA/LASAAC Local Authority SORP Board is taking forward a programme of work on developing and implementing a new IFRS-based Code of Practice that will allow local authorities to prepare IFRS based accounts from 1 April 2010. The SORP Board has also approved a proposal for the Code of Practice to move away from the ASB SORP regime to a FRAB-linked governance framework from 2010-11.

CIPFA has issued two consultation papers on local authority reporting.

- *Back to Basics* is a first principles review of local authority financial statements that aims to produce statements of account that are "fit for purpose" in the 21st century.
- *Telling the Whole Story* is a fundamental review of external stakeholder reporting in local government that goes beyond financial reporting.

Copies of both consultation documents are available on the CIPFA website and comments are requested by 31 July.

Charities

The Charity Commission published in June 2008 an updated second edition of the Charities SORP 2005 that takes into account changes made by the Charities Act 2006, the Charities and Trustees Investment (Scotland) Act 2005 and applicable regulations. This new edition also includes a new introduction aimed at smaller charities. The accounting requirements remain unchanged; hence the update has not been through the formal ASB review process.

The Charity Commission and the Office of the Scottish Charity Regulator, as the joint SORP making body for the charity sector, hosted a Stakeholder Forum in

Further Information

For further information on any of these topics please contact Simon Peerless at Aldwych House.

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**ACCOUNTING
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ISSN 1360-1342

a part of the 
Financial Reporting Council

The Financial Reporting Council Limited is a company limited by guarantee.
Registered in England number 2486368.
Registered Office: 5th Floor, Aldwych House, 71-91 Aldwych, London WC2B 4HN.

central London on 25 April. This initiated sector debate on issues affecting development of the next SORP, including the impact of the ASB's convergence agenda. Further events, aimed at building upon the issues debated at the Stakeholder Forum, will be held at a number of locations throughout the United Kingdom over the next twelve months.

Investment trusts

The Association of Investment Companies (AIC) has issued an exposure draft of a revision of its SORP for investment trust companies, for comment by 17 October. The principal change is to extend the scope to include venture capital trusts.