

Accounting Standards Board

ASB Consults on Strategy for Convergence of UK GAAP with International Accounting Standards

ASB PN 234

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The Accounting Standards Board (ASB) published today a Discussion Paper 'UK Accounting Standards: A Strategy for Convergence with IFRS'. The Discussion Paper presents and seeks views on the ASB's development of UK accounting standards.

The Paper proposes a phased approach to convergence, including:

- New standards effective in 2005 and 2006 that will enhance existing UK financial reporting requirements, maintain their position as highly regarded internationally and adapt to changes in the law; and
- thereafter, a series of 'step changes' replacing one or more existing UK accounting standards with standards based on IFRS as prospective IASB projects are completed.

The ASB aims to minimise the burden of change on companies by avoiding two changes of accounting policy in respect of the same issue within a short period. In this context, the Paper discusses a number of ongoing IASB projects for which the Board presently recommends retention of equivalent UK standards.

The Discussion Paper also sets out the Board's specific intentions for new UK standards based on IFRS in the next two years.

Introducing the Discussion Paper, Mary Keegan, ASB Chairman, said:

"The Discussion Paper sets out, in a structured way, proposals for converging UK accounting standards with IFRS. We aim to do this in a measured way. New standards will be required to keep UK accounting practice in line with that used in other jurisdictions. And the hurdle for a company choosing to adopt IFRS at a later date would be greater if UK standards did not keep up with changes to IFRS in the interim. In the medium term, there is no case for the use of two sets of different accounting standards in the UK."

Whilst the focus of the paper is on the future of UK accounting standards, which it suggests will be based on IFRS, it also describes the ASB's plans for its future role, including working with and influencing IASB and other international bodies, maintaining dialogue with its constituents and addressing UK accounting issues.

Copies of the Discussion Paper, £6.00 post-free, are available from ASB Publications, 145 London Road, Kingston Upon Thames, Surrey, KT2 6SR (020 8247 1264). Comments are requested by 30 June 2004.

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Notes to Editors

1 The EU Regulation on the application of international accounting standards permits Member States to allow the wider use of EU adopted IFRS. The Department of Trade and Industry (DTI) is publishing a parallel Consultation Document on the Government's policy to allow individual companies and unlisted groups the option from 2005 of using either EU adopted international accounting standards or UK standards to prepare their financial statements.

2 The ASB's current intentions for new standards expected to become effective for accounting periods starting in 2005 and 2006 are:

- Share options: FRS 20, based on IFRS 2 'Share-based Payment', requiring an expense measured at fair value to be recognised in the profit and loss account for all share-based payment transactions. This will be mandatory for listed companies in 2005 and for unlisted companies in 2006.
- Financial instruments: From 2005, standards based on IAS 32 'Financial Instruments: Disclosure and Presentation' and, for listed companies (and on a voluntary basis for other companies), much of IAS 39 'Financial Instruments: Recognition and Measurement'.
- Retirement benefits: FRS 17 will replace SSAP 24 in 2005 so that, consistent with IASB proposals for IAS 19 'Employee Benefits', actuarial gains and losses are fully recognised in the statement of total recognised gains and losses in the period in which they arise.
- Post balance sheet events: a standard based on IAS 10 'Events after the Balance Sheet Date', replacing SSAP 17 from 2005.
- Earnings per share: a UK standard (applicable to listed companies only) based on IAS 33 'Earnings per share' and replacing FRS 14 from 2005.
- Related party disclosures: a standard based on IAS 24 'Related Party Disclosures', replacing FRS 8 from 2006.

3 In addition, the ASB may, after consideration of the responses to its Discussion Paper, issue exposure drafts for:

- a UK standard based on IAS 41 'Agriculture' available for use for accounting periods beginning on or after 1 January 2005; and
- revised disclosures in respect of operating lease commitments, based on those in IAS 17 'Leases'.

4 International Financial Reporting Standards (IFRS) include both new accounting standards issued by the International Accounting Standards Board (IASB) and International Accounting Standards issued by its predecessor body, including later revisions.