

Accounting Standards 2009–10

David Chopping, Moore Stephens LLP

The full text of all UK Accounting Standards and Exposure Drafts extant at 30 April 2009





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Financial Reporting Standards and UITF Abstracts are issued by the Accounting Standards Board in respect of their application in the United Kingdom and by the Institute of Chartered Accountants in Ireland in respect of their application in the Republic of Ireland.

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Preface

This book presents, in one convenient bound volume, all UK accounting standards and UITF abstracts extant at 30 April 2009. These have been updated for amendments made since the documents were originally issued.

This volume also includes current UK exposure drafts and discussion papers.

Significant revisions include the following:

- FRSSE 2008:
- Improvements to Financial Reporting Standards;
- Amendment to FRS 25 Financial Instruments: Presentation:
- Amendments to FRS 26 and FRS 29:
- Amendments to Financial Reporting Standards for the Companies Act 2006:
- Amendment to FRS 8 Related Party Disclosures, and
- FRED 42 Heritage Assets.

As noted above, the text of standards and abstracts has been changed where later guidance amends the original documents. However, in the case of some of the changes made by FRSs 23 to 26 the changes apply to only some entities. In these cases, the original text has been left unaltered, but a footnote includes the text to be used in relevant cases.

FRSs 21 to 26 and 29 are all UK versions of international standards. The format in which they were originally published included all original text of the relevant IFRS or IAS, with deletions and additions made by the ASB clearly marked. In this volume, such changes have been made, and are not marked. The text as presented therefore represents the requirements applicable in the UK, without reference to how this differs from the IFRS or IAS on which those requirements are based.

As in previous years, footnotes have been added to refer to any major changes to legal or other references included in standards. However, these are not intended to provide a comprehensive summary. No attempt has been made to update any references to legislation in the Republic of Ireland.

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Part One

HISTORY OF THE ACCOUNTING STANDARDS COMMITTEE

The Accounting Standards Continued Introduction

Standards Steering Committee, was set up in January 1972 to the Council of The Institute of Chartered Accountants in England and Wales will be object of developing definitive standards for financial reporting.

The Institute of Chartered Accountants of Scotland and the Institute of Chartered Accountants in Ireland became members of the Committee in 1978. Chartered Association of Certified Accountants and the Chartered Institute of Public Figure and Accountants joined in 1971 and the Chartered Institute of Public Figure and Accountancy in 1976.

From 1 February 1976 the ASC was reconstituted as a joint committee of member bodies who then acted collectively through the Consultative Committee of Accountancy Bodies ('CCAB'). On 1 January 1986, the CCAB was incorporated ASC became a Committee of CCAB Limited.

The Councils of the six major accountancy bodies in the United Kingdom a Ireland approved and issued accounting standards following proposals developed the ASC.

On I August 1990 the ASC was replaced by the Accounting Standards Board ('ASB').

During its existence the ASC issued 55 EDs; 2 SORPs, 28 discussion papers and other documents and 65 technical releases. It also franked 14 industry SORPs. Thirty-four ssaps or revised ssaps were recommended to and approved by the Councils of the six member-bodies of CCAB.

The CCAB agreed that 'all statements (Exposure Drafts, Discussion Papers, Technical Releases and similar documents) issued by ASC and extant at I August 1990 will remain documents of record under the aegis of the CCAB, SORPs issued or franked by ASC will continue in force under the aegis of CCAB until formally withdrawn or superseded'.

REPORT OF THE REVIEW COMMITTEE ON THE MAKING OF ACCOUNTING STANDARDS

The Review Committee, under the Chairmanship of Sir Ron Dearing (now Lord Dearing) was appointed in November 1987 by the CCAB to review and make recommendations on the standard-setting process.

In September 1988 the Review Committee presented its report to the CCAB. The Report's recommendations included:

- Accounting standards should remain, as far as possible, the responsibility of auditors, preparers and users of accounts and there should not be a general move towards incorporating them into law.
- A Financial Reporting Council should be created covering at high level a wide a constituency of interests, whose Chairman would be appointed jointly by the Secretary of State for Trade and Industry and the Governor of the Bank of England, to guide the standard-setting body on work programmes and issues of public concerns to see that the work on accounting standards is properly

Part One

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financed; and to act as a powerful proactive public influence for securing good accounting practice.

- The task of devising accounting standards should be discharged by a newly constituted, expert Accounting Standards Board, with a full-time Chairman and an Technical Director. Its total membership would not exceed nine. The Board would issue standards on its own authority. In the interests of clearly drawn lovestandards avoiding compromise decisions, a majority of two thirds of the Board would suffice for approval of a standard. Government would have observer
- The Accounting Standards Board should establish a capability of high standing publish authoritative, though non-mandatory, guidance on emerging issues.
- A Review Panel should be established to examine contentious departures from banaccounting standards by large companies. and bana 1791 mi banio standards by large companies.

From 1 February 1976 AMIDAR DAITTAS-GRADAATS THASARY AHT

member bodies who then acted collectively through the Consultative Committee of Accountancy Bodies ('CCAB'). On I January 1986, the CCAB was incorporalarana.

In 1990 the Government announced the establishment of the Financial Reporting Council under the Chairmanship of Sir Ron Dearing. Sir Sydney Lipworth was appointed Chairman with effect from 1 January 1994. The present arrangements for setting accounting standards and enforcing compliance follow closely the recommendations of the Review Committee. The organisation is as shown in the diagram on page 5 abnate gnitude Account yet also be provided by the Account of the Review Committee.

The ASB replaced the ASC on 1 August 1990. The funding for the present organisation is drawn from three broad sectors: the accountance profession; the financial community; and the Governments. It at a technical releases. It at a the community of the Thirty-four sakes or revised sakes were recommended to and approved by the

The CCAB agreed that 'all statements (Exposure Drafts, Discussion Papers, Tech

Accounting Standards

The Companies Act 1989 introduced into the Companies Act 1985 a definition of 'accounting standards' along with the requirement for directors of companies, other than most small or medium sized companies, to disclose whether the accounts have been prepared in accordance with applicable accounting standards, particulars of any material departure from those standards and the reasons for the departure.* Under section 245B of the Companies Act 1985, where the accounts of a company do not comply with the requirements of the Act, the court may order the preparation of revised accounts, and that all or part of the costs be borne by such of the directors as were party to the approval of the defective accounts.†

At its first meeting the ASB unanimously agreed to adopt the 22 extant ssaps issued by the ASC. Adoption by the ASB gives the ssaps the status of accounting standards within the meaning of the Companies Act 1985.‡ In adopting the ssaps the ASB noted that with the passage of time certain legal references in the ssaps have become outdated. The preface to this volume explains the updating that has been carried out to the documents that have been included herein.

*Editor's note: This disclosure requirement is now contained in para 45 of Schedule 1 to the Large and Mediumsized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

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Financial Reporting Review Panel

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The Review Panel enquires into annual accounts where it appears that the requirements of the Companies Act, including the requirement that annual 118 9191 accounts shall show a true and subsante states but attituded a state of the state o fair view, might have inuraria dan a nil adolestab on vio literate and begolevab essentiano been breached, and blandes that Inomian destination of its surros goods and less than the surros goods are goods and less than the surros goods and less than the surros goods are goods and the surros goods are goods are goods and the surros goods are goods are goods are goods and the surros goods are goods a

Accounting Standards Board (ASB)

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The ASB develops, issues and withdraws accounting standards.

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International Financial Reporting Standardsonod/teop

Urgent Issues Task Force (UITF)

principles rather than detailed prescription.

The UITF's main role is to assist the ASB in areas where an accounting standard or Companies Act provision exists, but where unsatisfactory or conflicting interpretations have developed or seem likely to develop.

The ASB announced that accounting standards that it develops and issues are to be known as Financial Reporting Standards (FRSs) and exposure drafts of FRSS are to be known as Financial Reporting Exposure Drafts (FREDs), dw of 101098/v11211bm edt lo

Ensure that accounting standards are clearly expressed behinding set in chambing

the background of the ASBI-

The ASB has so far issued twenty-nine Financial Reporting Standards (together with one for smaller entities updated as the need arises), certain amendments to earlier Standards and a number of Exposure Drafts and Discussion Documents.

Statement of Principles

The ASB has developed a Statement of Principles for Financial Reporting. This is not itself an accounting standard. It sets out the principles that the ASB believes should underlie the preparation and presentation of company accounts. Its primary purpose is to assist the ASB in the development and review of accounting standards and to provide those interested in its work with an understanding of the ASB's approach to the formulation of accounting standards randards reporting Standards randards reporting the standards reporting the standard reporting

The Statement was first published in December 1999 and is reproduced in Part Two.

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Statement of Aims

The ASB has published its 'Statement of Aims'. The Statement sets out the ASB's general approach to its task and lists a number of fundamental guidelines which it follows in conducting its affairs. The 'Statement of Aims' is reproduced at the end of this chapter. fice for approval of a standard. Government would have

Consultation

The ASB has stated that it is anxious to operate the maximum possible consultation and be as open as possible in its dealings. In addition to issuing exposure drafts of FRSS and of Statements the ASB also publishes discussion papers on individual topics as they reach appropriate stages of development.

Urgent Issues Task Force abstracts

The UITF's main role is to assist the ASB in areas where an accounting standard or a Companies Act provision exists, but where unsatisfactory or conflicting interpretations have developed or seem likely to develop. In such circumstances it operates by seeking a consensus as to the accounting treatment that should be adopted. Such a consensus is reached against the background of the ASB's declared aim of relying on principles rather than detailed prescription, organisation is as shown in the diagram

The ASB makes the UITF abstracts publicly available for the guidance of users. preparers and auditors of financial information. The funding for the present organi-

Extant abstracts should be considered to be part of the corpus of practices forming the basis for determining what constitutes a true and fair view. Such abstracts consequently may be taken into consideration by the Financial Reporting Review Panel in deciding whether financial statements call for review.

The ASB's Foreword to UITF abstracts is reproduced in Part Five. This explains the authority, scope and application of the UITF abstracts issued by the ASB. These abstracts set out the consensus reached by its Urgent Issues Task Force on particular issues.

Statements of Recommended Practice and and the

The ASC developed and issued two SORPs together with an Explanatory foreword to SORPs. In addition the ASC 'franked' SORPs developed by bodies representative of the industry/sector to which the SORP would apply. The ASB has announced that it will not issue its own SORPs. However, SORPs will be developed by bodies recognised by the ASB to provide guidance on the application of accounting standards to specific industries. The ASB will not 'frank' such SORPs. Instead, where it is satisfied about certain particulars it will require to be appended to the SORP a 'negative assurance statement'. Further details are contained in Part Seven.

International Financial Reporting Standards

Listed groups, and in future companies on AIM, are now required to comply with International Financial Reporting Standards (IFRS) rather than UK accounting standards. This option is also available to all UK companies, other than charities. IFRS are issued by the International Accounting Standards Board (IASB).

he updating that dean bron carried and

Financial Reporting Standards (and UITFs) continue to apply for those companies

Superseded by FRS 9

using UK GAAP, although the ASB and UITF both now take into account international practice prior to issuing any guidance, and some standards are effectively UK versions of international standards.

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AIMS

The Accounting Standards Board contributes to the achievement of the Financial Re-porting Council's fundamental aim of supporting investor, market and public confidence in the financial and governance stewardship of listed and other entities by pursuing its own aims of establishing and improving standards of financial accounting and reporting, for the benefit of users, preparers, and auditors of financial information. ves grot glass in 4814 bases her before a character of the state of the s

OBJECTIVES perseded by FRS 25 or 29a

The Board intends to achieve its aims by:

Developing principles to guide it in establishing standards and to provide a framework within which others can exercise judgement in resolving accounting issues. Issuing new accounting standards, or amending existing ones, in response to evolving business practices, new economic developments and deficiencies being identified in current practice.

Addressing urgent issues promptly.

Working with the International Accounting Standards Board (IASB), with national standards-setters and relevant European Union (EU) institutions to encourage high quality in the IASB's standards and their adoption in the EU.

OPERATING GUIDELINES

In carrying out its work the Board will

Be objective and ensure that the information resulting from the application of accounting standards faithfully represents the underlying commercial activity. Such information should be neutral in the sense that it is free from any form of bias intended to influence users in a particular direction and should not be designed to favour any group of users or preparers.

Ensure that accounting standards are clearly expressed and supported by a reasoned analysis of the issues.

Determine what should be incorporated in accounting standards based on research, public consultation and careful deliberation about the usefulness of the resulting information

Ensure that there is consistency both from one accounting standard to another and between accounting standards and company law.

Issue accounting standards only when the expected benefits exceed the perceived costs. The Board recognises that reliable cost/benefit calculations are seldom possible. However, it will always assess the need for standards in terms of the significance and extent of the problem being addressed and will choose the standard which appears to be most effective in cost/benefit terms.

Take account of the desire of the financial community for evolutionary rather than revolutionary change in the reporting process where this is consistent with the objectives outlined above.

Follow best practice in its own governance and processes, deploy resources effectively and liaise with the Council's other Boards to promote and benefit from Superseded by FRS 10 operating synergies wherever possible.

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SSAP 1	Accounting for associated companies (revised April 1982) Superseded by FRS 9	January 1971	November 1997		
SSAP 2 oh	Disclosure of accounting policies Superseded by FRS 18	November 1971 's fundamental a	December 2000		
SSAP 3 TO	Earnings per share Superseded by FRS 14	February 1972	October 1998		
s SSAP 6 each	Extraordinary items and prior year adjustments (revised August 1986) Superseded by FRS 3	April 1974	October 1992		
SSAP 7	Accounting for changes in the purchasing power of money (Provisional)	May 1974	January 1978		
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SSAP 10	Statements of source and application of funds Superseded by FRS 1	July 1975 but but 1975 but she corpus of the corpus of true and fair vi	September 1991		
SSAP 11	Accounting for deferred tax Superseded by ssap 15	August 1975	October 1978		
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SSAP 16	Current cost accounting	March 1980	July 1988		
SSAP 17	Accounting for post balance sheet events Superseded by FRS 21	August 1980	May 2004		
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SSAP 23 VISI	Accounting for acquisitions and mergers Superseded by FRS 6	premiums and sit	Massagree lease
SSAP 24 2004	Accounting for pension costs Superseded by FRS 17.	May 1988 1980 unting for ESOP	November 2000
1 sna mber 2000	Cash flow statements Superseded by FRS 41/1 (revised 1996)	September 1991 osure of changes inting policy	UITF 14 Disch
FRS 4	Capital instruments Partly superseded by FRS 25 Fully superseded where FRS 26 is applied	Seed by Uttr 15	UITF 15 Disci
FRS 13 9991 redm	Derivatives and other financial instruments: disclosures poids. Superseded by FRS 25 or 29, and where entities are complying		UITF 16 Incor
2004	with the disclosure requirements of that standard	oyee share schem seded by FRS 20	
FRS 14	Earnings per share Cl Superseded by FRS 22	October 1998	December 2004
OLIVA TAME	DATE TALESCOND SITE STATES	tax changes in re	
UITF Abst			Date withdrawn
UITF 1 0003	Convertible bonds- supplemental interest/premium Superseded by FRS 4	seded 100 seded 2000 issue: accou	VITE 20 Year and
2004 2004	Restructuring costs Superseded by FRS 3 10 20000	October 1991 of award to emp	October 1992 UITF 30 Date
E TTIU	Treatment of goodwill on disposal of a business Superseded by FRS 10	December 1991	
UITF 6	Accounting for post-retirement benefits other than pensions	November 1992	November 2000
nber 2004	True and fair override disclosures	ases and sales of 292 redmesad	December 2000
UITF 8	Superseded by FRS 18 Repurchase of own debt Superseded by FRS 4	March 1993	December 1993
UITF 9	Accounting for operations in hyper-inflationary economies Superseded by FRS 24, for companies complying with that standard	June 1993	December 2004
UITF 10	Disclosure of directors' share options. Withdrawn	September 1994	December 2002
UITF 11	Capital instruments: issuer call options Superseded by FRS 26, for companies complying with that standard	September 1994	December 2004

UITF 12	Lessee accounting for reverse lease premiums and similar		December 1994		
	incentives	247	seded by FRS 6		
mber 2000	Superseded by UITF 28			Bak withst many	
UITF 13	Accounting for ESOP tr	rusts	June 1995		
ner 1996	Superseded by UITF 38	1982)	flow statements		
UITF 14	Disclosure of changes in	1	November 1995	December 2000	
	accounting policy		November 1742	iyatember 2000	
mber 2004	Superseded by FRS 18		al instruments	res 4 Capit	
UITF 15	Disclosure of substantia	RS 25 1	January 1996	February 1999	
SSARIA	acquisitions 21 02 289 3 Superseded by UITF 15		and the name by	Beel usdeble appli	
mber 2004	(revised 1999)	laiagent	atives and other	NUMBER 1772	
UITF 16	Income and expenses su to non-standard rates of Superseded by FRS 16	f tax	m7001 yraurded seded by FRS 25 entities are com	B.F.C.T.V Super	
LUTE 17	LPU PRESIDENCE SELECTOR		A SANTANIA A TANÀNA A	Tabana bee been been	
UITF 17	Employee share schemes Superseded by FRS 20	Sn the mey	October 2000, revised	April 2004	
	(ITTUMS/USIAI)		CO per ved loaken	ess 14-00 Earn	
UITF 18	Pension costs following 1997 tax changes in resp	pect of	December 1997	November 2000	
withdrawn	dividend income Superseded by FRS 17		stime progratis	UITE Abstracts	
nber 1993	BORGE 523757 51256450112 C	2 West 10210	002100 00000	UITEU Conv	
UITF 20	Year 2000 issue: account and disclosures	tingmen	seded by FRS 4		
1900) rec	Withdrawn	C		HTF 2 Restr	
Veel radin	Date of award to emplo shares or rights to share Superseded by FRS 20		March 2001 best ment of goodwill	0210103 1770	
UITF 33	Obligations in capital	tizas 1910	Echenomy 2002	December 2004	
mber 29998	instruments Superseded by FRS 25	sentatus tirensent	acteograph aming		
UITF 37	Purchases and sales of o	sions	October 2002	December 2004	
mar-15	shares		October 1978	December 2000	
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