

# HOW UK STANDARDS COMPARE TO PROPOSED IASs

**With the introduction of International Accounting Standards (IASs) for all EU-quoted companies now less than two years away, the Accounting Standards Board has published guidance on how UK standards match up against current and proposed IASs.**

§ = IASB indicated its intention to review indicated IAS in its short-term US/IAS convergence project

ASB CP = Accounting Standards Board Consultation Paper

## **SSAP 4 Accounting for government grants**

IASB equivalent is IAS 20 *Accounting for government grants and disclosure of government assistance* §.

## **SSAP 5 Accounting for value added tax**

IAS 18 *Revenue*, IAS 2 *Inventories* and IAS 16 *Property, plant and equipment* are under revision.

## **SSAP 9 Stocks and long-term contracts**

**UITF 34 Pre-contract costs**  
Corresponding text is split between IAS 2 *Inventories* §, IAS 11 *Construction contracts* § and IAS 18 *Revenue*, as explained in Fred 28 (May 2002), which includes IASB proposals to amend IAS 2. The ASB has encouraged the IASB to consider UITF 34. IAS 18 is also being revised in a joint FASB-IASB project

## **SSAP 13 Accounting for research and development**

R&D was scoped out of FRS 10 *Goodwill and intangible assets*; but guidance is included in IAS 38 *Intangible assets*. IASB issued proposals to amend IAS 38 (December 2002), published at the same time in an ASB CP.

Australia is now conducting a review of R&D, but it's unclear

whether it will result in a change in IAS before 2005.

## **SSAP 17 Accounting for post balance sheet events**

See IAS 10 *Events after the balance sheet date*. Amendments proposed by IASB in May 2002 and by ASB in Fred 27.

## **SSAP 19 Accounting for investment properties**

See IAS 40 *Investment property*. Amendments were proposed by ASB CP in May 2002.

## **SSAP 20 Foreign currency translation**

**UITF 9 Accounting for operations in hyperinflationary economies**  
See IAS 21 *The effects of changes in foreign exchange rates* and IAS 29 *Financial reporting in hyperinflationary economies* § (see Fred 24). Fred 23 sets out complementary material from IAS 39 *Financial instruments: recognition and measurement* § to replace and extend the hedge accounting guidance in SSAP 20. The IASB is now considering responses to proposed revision to IAS 21 and IAS 39.

## **UITF 21 Accounting Issues arising from the proposed introduction of the euro**

See SIC 7 *Introduction of the euro*.

## **SSAP 21 Accounting for leases and hire purchase contracts**

## **UITF 28 Operating lease incentives**

Largely covered by IAS 17 *Leases* and SIC 15 *Operating leases*:

*incentives*, but amendments were proposed in May 2002 (see ASB CP). The IASB has shown keen interest in ASB work but unlikely to be a major revision to IAS 17 before 2005.

## **SSAP 25 Segmental reporting**

*Reporting financial performance* project (see FRS 3 below) will have implications for IAS 14 *Segment reporting*. IASB has noted IAS 14 for convergence.

## **FRS 1 Cash flow statements**

IASB to reconsider IAS 7 as part of its work on *Reporting financial performance* (see FRS 3 below).

## **FRS 2 Accounting for subsidiary undertakings**

IAS 27 *Consolidated financial statements and accounting for investments in subsidiaries* is broadly equivalent. Minor amendments proposed in May 2002 ASB CP. IASB has since started a more fundamental review.

## **FRS 3 Reporting financial performance**

The current IASB/ASB project on *Reporting financial performance* is relevant to much of FRS 3. An exposure draft is expected this year.

IAS 35 *Discontinuing operations* is equivalent to FRS 3's guidance. The IASB has decided to align the presentational aspects of IAS 35 with the US equivalent (FAS 144); an IASB exposure draft is expected this year. Material on changes in accounting policies has its international equivalent in IAS 8 *Net profit or loss for the period*,

*fundamental errors and changes in accounting policies* §, with minor amendments proposed in ASB CP May 2002.

## **FRS 4 Capital instruments**

## **UITF 11 Capital instruments: issuer call options**

## **UITF 33 Obligations in capital instruments**

Fred 30 issued in June 2002, explaining how IAS 32 *Financial instruments: disclosure and presentation* § would replace FRS 4 and related standards and requirements. Fred 30 includes IASB's proposals to revise IAS 32 (though see also FRS 13 below); further changes may also arise from the joint project between FASB and the IASB (see IAS 18 below) which will consider concepts of liabilities and equity.

## **FRS 5 Reporting the substance of transactions**

IASB's June 2002 proposals to revise IAS 39 *Financial instruments: recognition and measurement* § (published in Fred 30) would replace much of FRS 5's guidance on recognition and derecognition of financial instruments. IAS 39's approach is fundamentally different from that in FRS 5.

The IASB is considering responses to its IAS 39 consultation.

Guidance on the treatment of quasi-subsidiaries is in FRS 5. The IAS equivalent is in SIC 12 *Consolidation: special purpose entities*, likely to be revised as part of the IASB's review of consolidation procedures (see FRS 2 above).

There's no international standard on the recognition and derecognition of non-financial assets and liabilities, to replace material such as that given in the FRS 5 application notes on sale and repurchase agreements and PFI. The international interpretation SIC 27 *Evaluating the substance of transactions*

involving the legal form of a lease develops concepts similar to FRS 5 but would not replace them.

The IASB has asked the ASB to lead a research team on the accounting treatment of service concessions, but it's unclear whether this will result in a standard before 2005.

**FRS 6 Acquisitions and mergers**

**FRS 7 Fair values in acquisition accounting**

**UITF 15 Disclosure of substantial acquisitions**

**UITF 22 The acquisition of a Lloyd's business**

IASB's ED 3 constitutes Phase I of the IASB's *Business combinations* project. An exposure draft of Phase II is due this year; both parts of the project are needed to provide equivalent material to the UK standards. December 2002 ASB CP provides further explanation.

**UITF 31 Exchanges of businesses or other non-monetary assets for an interest in a subsidiary, joint venture or associate**

UK material largely paralleled in SIC 13 *Jointly controlled entities: non-monetary contributions by venturers*. Other aspects of UITF 31 may be considered by the IASB as part of the business combinations project (see FRS 6 above).

**FRS 8 Related party disclosures**

IASB proposed amendments to IAS 24 *Related party disclosures* in May 2002 (see Fred 25).

**FRS 9 Associates and joint ventures**

IAS 28 *Accounting for investments in associates* and IAS 31 *Financial reporting of interests in joint ventures* § are largely equivalent. Minor amendment to IAS 28 proposed in May 2002 (see ASB

CP); the IASB has since proposed a small amendment to the definition of a joint venture (in its Phase I *Business combinations* project). The IASB may opt for a more fundamental revision of accounting for associates and joint ventures.

**FRS 10 Goodwill and intangible assets**

**FRS 11 Impairment of fixed assets and goodwill**

**UITF 27 Revisions to estimates of the useful economic life of goodwill and intangible assets**  
**UITF 24 Accounting for start-up costs**

IASB proposed amendments to IAS 38 *Intangible assets* and IAS 36 *Impairment of assets* in December 2002. See the ASB CP on *Business combinations*. IAS 38 material on start-up costs is similar to UITF 24.

**FRS 12 Provisions, contingent liabilities and contingent assets**

IAS 37 § is virtually identical to the UK standard (including its title). The IASB has tentatively agreed to change the definition of a constructive obligation and revise the guidance on provisions for restructuring costs.

**FRS 13 Derivatives and other financial instruments: disclosures**

Proposals to revise IAS 32 *Financial instruments: disclosure and presentation* § were issued by the IASB in June 2002. Fred 30 explains how this would replace FRS 13. Further amendments to IAS 32 may arise from the IASB's current consideration of IAS 30 *Disclosures in the financial statements of banks and similar financial institutions*.

**FRS 14 Earnings per share**

Amendments to IAS 33 *Earnings per share* were proposed in May 2002 (see Fred 26).

**FRS 15 Tangible fixed assets**

**UITF 23 Application of the transitional rules in FRS 15**

The equivalent text is split between IAS 16 *Property, plant and equipment* § and IAS 23 *Borrowing costs*. See Fred 29, which also includes IASB proposals to amend IAS 16, although the IASB has not completed its consideration of fixed asset revaluations.

**UITF 29 website development costs**

SIC 32 *Intangible assets: website costs* is similar, but it requires websites to be treated as intangible fixed assets.

**SSAP 24 Accounting for pension costs**

**UITF 6 Accounting for post-retirement benefits other than pensions**

**FRS 17 Retirement benefits**  
**UITF 35 Death in service and incapacity benefits**

IASB is carrying out a fundamental review of IAS 19 *Employee benefits* §, which it hopes will result in an exposure draft this year.

**FRS 18 Accounting policies**

IAS 1 *Presentation of financial statements* § and IAS 8 *Net profit or loss for the period, fundamental errors and changes in accounting policies* § are equivalent, but less detailed. Proposals for improvement to IAS 1 and IAS 8 were issued in May 2002 (see ASB CP).

**FRS 19 Deferred tax**

**UITF 19 Tax on gains and losses on foreign currency borrowings that hedge an investment in a foreign enterprise**  
**FRS 16 Current tax**

IAS 12 *Income taxes* § and its US equivalent require more provision for deferred taxation than the UK standard.

**UITF 26 Barter transactions for advertising**

SIC 31 *Revenue: barter transactions involving advertising services* is comparable.

**UITF 17 Employee share schemes**

**UITF 30 Date of award to employees of shares or rights to shares**

Substantial changes were proposed by the IASB as ED 2 and by the ASB as Fred 31 in November 2002.

**UITF 4 Presentation of long-term debtors in current assets**

Similar material is in IAS 1 *Presentation of financial statements* §. IASB still considering responses to its May 2002 consultation to improve IAS 1.

**Financial reporting standard for smaller entities [FRSSE]**

No international equivalent, but an IASB advisory panel is now considering the use of IAS by SMEs and emerging economies.

*Abridged by Andrew Sawers.*

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● This is an edited version of an article from the January edition of the ASB's newsletter *Inside Track 34* available at [www.asb.org.uk/public/insidetrack.html](http://www.asb.org.uk/public/insidetrack.html)