

FRED 85 Draft Amendments to FRS 101 Reduced Disclosure Framework – 2023/24 cycle

**A public consultation issued by the Financial Reporting Council
Comments from ACCA to the Financial Reporting Council**

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About ACCA:

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants.

We're a thriving global community of 247,000 members and 526,000 future members based in 181 countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in Accountancy, finance, and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business, and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. We believe that Accountancy is a cornerstone profession of society and is vital in helping economies, organisations, and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities. And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. We're a not-for-profit organisation. Find out more at accaglobal.com.

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GENERAL COMMENTS

ACCA welcomes the opportunity to comment on the Financial Reporting Council (FRC) Exposure Draft 85 Draft amendments to FRS 101 Reduced Disclosure Framework 2023/24 cycle (FRED 85).

ACCA is supportive of the proposed amendment to FRS 101. ACCA has consistently been an advocate for improved reporting and consistency with international reporting standards, contributing to enhanced international coherence.

Although this amendment does not seem to impose a disproportionate burden on qualifying entities, we believe that the increasing demand for businesses to collect data on a variety of metrics, coupled with existing capacity constraints, should be considered, and the FRC should provide continuous support and guidance to qualifying entities on how to apply this disclosure requirement.

Question 1 Do you agree with the proposed amendments to FRS 101? If not, why not

ACCA agrees with the updated working on Legal Requirements to align with IAS 1's Classification of Liabilities as Current or Non-Current. We believe such disclosure requirements enhance clarity and ease of understanding, improving financial statement users' grasp of the risk that the covenants-based liability could become payable within twelve months.

Question 2 Do you agree that no other amendments to FRS 101 are required for the IASB projects outlined in paragraph 7 of the Basis for Conclusions?

We agree that no other amendments to FRS101 are required for the IASB projects outlined in paragraph 7.

ACCA supports the continuous effort to align FRS 101 with international standards, advancing in global consistency. We see proportionality in reporting as a key element of an efficient reporting landscape, and balancing high-quality reporting and burden for entities of different sizes and complexity is necessary to ensure that FRS 101 will continue to have a positive impact on the cost-effectiveness of the preparation of financial statements.

Question 3 Do you agree with the conclusion in the consultation stage impact assessment? If not, why not?

Overall, we align with the conclusion in the consultation stage impact assessment. We believe that the FRC has balanced the 'benefit to burden' ratio and this amendment should not impose undue burdens on preparers. As debt payments or repayments must be disclosed by qualifying entities under UK and Irish law the requirement will only be applicable to a subset of preparers and therefore not overly onerous for the broader group of entities subject to FRS101.

ACCA agrees with the view that the relevance, cost constraint on useful financial reporting and avoiding gold plating, are useful principles to guide the application of disclosure requirements by entities. These are aligned with IFRS considerations and seek to minimise further excessive requirements. ACCA believes that the FRC has taken a pragmatic approach, with entities able to take advantage of the decisions as to which disclosure exceptions to, based on the relevance of the disclosure for users.

When considering the objective of promoting efficiency within groups, per paragraph 4 (d), it is important for the FRC to recognise that there may be additional demands that come from larger entities through supply chains. ACCA believes that this should be part of the consideration in the amendments proposed. With regard to other amendments such as paragraph 5 (1) we see this to be in line with the IFRS consideration of user needs, which is concurrent with ACCA's consistent view of alignment with international standards.

ACCA notes that the FRC should continue to keep the economic and geopolitical environment under review and in the context paragraph 22 (Lack of Exchangeability (Amendments to IAS 21)) understand that there may be future amendments to FRS101 required.

Finally, as we have recently reiterated,¹ ACCA will continue to support the upskilling of finance teams by providing resources and guidance in financial reporting, though the FRC should proactively offer guidance and assistance to businesses and finance teams seeking clarification on the impending changes, recognising the need for a collaborative approach.

ACCA agrees with the proposed effective dates.

¹ ACCA's response to FRED84 Draft Amendments to FRS 102 Invitation to Comment (14 December 2023) available at <https://www.accaglobal.com/uk/en/technical-activities/technical-resources-search/2023/December/FRED84-draft-amendments-FRS102-response.html>