

Our Ref: GPG/BS

30 April 2012

Ms Michelle Sansom  
Accounting Standards Board  
5<sup>th</sup> Floor  
Aldwych House  
71-91 Aldwych  
London WC2B 4HN  
United Kingdom

Dear Ms Sansom

## **The future of financial reporting in the UK and Republic of Ireland**

We write in response to the invitation to comment on the future of financial reporting in the UK and Republic of Ireland following the publication of FRED 46 'Application of Financial Reporting Requirements' ('draft FRS 100'), FRED 47 'Reduced Disclosure Framework' ('draft FRS 101') and FRED 48 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' ('draft FRS 102') (together 'the FREDs').

We refer to the letter sent to you from Deloitte LLP, UK, dated April 27, 2012 and confirm that we support the comments made in that letter, with references to the UK also applying to Ireland subject to equivalent Irish legal references where applicable.

Our comments below are specific to the Irish jurisdiction or add some emphasis to comments made in the UK letter where they are particularly relevant to Ireland.

- The ASB has adopted a legalistic approach to defining a financial institution rather than a more generic definition based on the principle, as outlined in FRS 100, that a financial institution is an entity that generates wealth from financial instruments. The ASB should continue to work with the relevant Irish legislative and regulatory authorities to identify the appropriate legal references and to fully determine the scope of the definition of a financial institution for use in Ireland.
- We also request the ASB to carry out with the relevant Irish legal authorities a full review of the complete documents (FRS 100, 101, 102) to ensure the accuracy of any specific Irish legal references used – there are instances in the current drafts where there are incorrect references used e.g. the definition of an investment company in the foot-note on page 14.

## **Audit • Tax • Consulting • Corporate Finance**

P.J. Barton	M. Larkin	P. Brennan	J. O'Connor	D. Carson	S. Mohan
T.M. Cassin	J. McCarroll	D.J. Butler	D. O'Donovan	C. O'Connell	H. Moore
D.B. Deasy	C. McDonnell	P. Cronin	J. O'Flynn	D. Dalton	B. Murphy
G. Fitzpatrick	C. MacManus	P. Cullen	D. Power	A. Flanagan	D. O'Flanagan
B. Forrester	R.J. Nolan	A. Fagan	P. Reck	M. Flynn	G.B. O'Mahoney
M.E. Fulton	C. O'Brien	N. Glynn	J. Whelan	J.P. Gilmartin	M. Sheehan
G. Gillard	B. O'Callaghan	L. Griffin	P. Whelan	H. Goddard	C. Treacy
M. Hartwell	M. Reilly	C. Hynes		D.F. Hearn	
R. Howard	K. Sheehan	B.P. McDonald		C.P. Hughes	
	N.A. Walsh			G. Lyons	

B. Jennings



- In respect of financial institutions, the ASB has set out in draft FRS 102 to develop disclosures aligned with the principles that underlie IFRS 7. We request the ASB to give some further consideration to whether the disclosure requirements in FRS 102 exceed matters of principle and extend beyond that to specific requirements for quantitative and qualitative risk disclosures for individual risks, including sensitivity analysis. In respect of investment entities and perhaps other classes of entity, it may be more appropriate to require such entities to provide specific disclosures with respect to the risks they are exposed to and how those risks are managed and monitored, in addition to details of their overall investment strategy and risk management strategy.
- Paragraph 35.10 of FRS 102 sets out a number of exemptions that an entity may avail of in preparing its first financial statements that conform to FRS 102. Sub-paragraph (m) deals with companies within the UK Companies Act definition of a dormant company and which elect to retain its current accounting policies until there is any change to balances or the company undertakes any new transactions.

The draft FRS 102 notes that there is no equivalent Irish company law regime. However, the principle could be applied in the same manner in both jurisdictions for accounting and transition purposes and we request the ASB to consider this.

- Under current GAAP, FRS 2 sets out in paragraph 21 those categories of parent companies which are exempt from the requirement to prepare consolidated accounts, with paragraph 21(a) dealing with where 'the group is small or medium-sized and is not an ineligible group .....'. There are similar exemptions available to small and medium-sized companies under Irish Company Law. Section 9 of FRS 102 does not include this as an exemption in paragraph 9.3. The information added to the ASB web-site – 'Explanation – ROI Legal References' – does include comment on this. We request the ASB to include a 'size exemption' as part of paragraph 3 in section 9 of FRS 102 in order to clarify and confirm the position.
- In addition to size exemptions, Irish company law does not require a private unlimited company with subsidiaries, outside the scope of the European Communities (Accounts) Regulations 1993, to prepare consolidated financial statements, regardless of size. In order to avoid diversity in practice, we suggest that a footnote is added to FRS 102, para 9.1 "Scope of this section" to make clear that the FRS does not require consolidated financial statements for these Irish unlimited companies.

If you have any questions or comments, please contact Glenn Gillard (00 353 1 417 2802) or Brendan Sheridan (00 353 1 417 2357).

Yours sincerely



**Deloitte & Touche**