



FRED 62 Draft amendments to FRS 102 – fair value hierarchy disclosures

ICAEW welcomes the opportunity to comment on *FRED 62 Draft amendments to FRS 102 – fair value hierarchy disclosures* published by Financial Reporting Council (FRC) in November 2015, a copy of which is available from this [link](#).

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MAJOR POINTS

Support for the proposed amendments

1. We support the proposed amendments to FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* in relation to the fair value hierarchy disclosure requirements for financial institutions and defined benefit plans. We agree that the inconsistency between FRS 102 and EU-adopted IFRS in this area is unhelpful and that the proposed amendments would improve the comparability of financial statements prepared under FRS 102 with those prepared under EU-adopted IFRS.
2. Subject to any further feedback received, we recommend that the FRC ensures that these amendments are now finalised and made available without undue delay. We would, indeed, have preferred for this matter to have been dealt with by the FRC at an earlier stage. We note from the consultation paper that this issue was first raised when FRS 102 was issued, with feedback also received in response to FRED 54 *Draft amendments to FRS 102 – Basic financial instruments*, and understand that there has been widespread support for the proposed amendments. With this in mind, together with the narrow scope nature of the issues, the delay is unfortunate.

RESPONSES TO SPECIFIC QUESTIONS

Question 1:

Do you agree with the amendments proposed to FRS 102? If not, why not?

3. Yes, we agree with the proposed narrow scope amendments to paragraphs 34.22 and 34.42 of FRS 102, which set out the disclosures that financial institutions and defined benefit plans are required to make about fair values.
4. As noted in the consultation paper, the proposed amendments will enable these entities to provide information that is more consistent with EU-adopted IFRS, making it easier for users to compare financial statements prepared under FRS 102 with those prepared under EU-adopted IFRS.

Question 2:

Do you agree with the proposed effective date for these amendments? If not, what alternative would you propose?

5. Yes, we agree that these amendments should be effective for accounting periods beginning on or after 1 January 2017, with early adoption permitted.
6. We note that proposed paragraph 1.6 currently states that 'if an entity applies these amendments before 1 January 2017 it shall disclose that fact.' However, for clarity we believe that this should read 'if an entity applies these amendments for an accounting period beginning before 1 January 2017, it shall disclose that fact.'

Question 3:

In relation to the Consultation Stage Impact Assessment do you have any comments on the costs and benefits identified? Please provide evidence to support your views of the quantifiable costs or benefits of these proposals.

7. We broadly agree with the costs and benefits identified by FRC, and that the proposed amendments will have a positive impact on those entities affected.