Grant Thornton

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Jenny Carter
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19 November 2014

Dear Ms Carter

Draft Amendments to FRS 102 – Pension Obligations

Grant Thornton UK LLP (Grant Thornton) welcomes the opportunity to comment on the Exposure Draft FRED 55 Draft Amendments to FRS 102 The Financial Reporting Standard in the UK and Republic of Ireland – Pension Obligations published by the Financial Reporting Council (FRC).

Grant Thornton UK LLP is a leading financial and business adviser with offices in 26 locations nationwide and more than 25,000 individual and 15,000 corporate and institutional clients. The Grant Thornton global organisation is one of the world's leading organisations of independent assurance, tax and advisory firms. Grant Thornton member firms operate in over 100 countries.

Grant Thornton supports the proposed amendments to FRS 102, which in our view will reduce unnecessary burdens on entities, thus allowing dynamic businesses to unlock their potential for growth.

We appreciate that, in making these clarifications, there is a balance that needs to be struck between providing financial reporting standards that are consistent with international accounting standards and financial reporting that is proportionate to the size and complexity of the entity and users' information needs.

We believe that, although the clarification relating to recognition of additional liabilities may result in accounting that differs from the accounting required by EU-adopted IFRS, the proposed amendment better meets the FRC's overriding objective in setting accounting standards and still enables users of the accounts to receive high-quality, understandable financial reporting.

We therefore support the proposed amendments and agree that they will reduce potential diversity in practice. We set out our detailed responses to each of the questions raised in the attached Appendix.

If you have any questions on our response, or wish us to amplify our comments, please contact David Rice (telephone: 020 7728 2591, email david.f.rice@uk.gt.com) or Robert Carroll (telephone: 020 7728 2210, email robert.w.carroll@uk.gt.com).

Yours sincerely

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Response to specific questions

Question 1 - Do you agree that FRS 102 should be amended to clarify that an entity is not required to recognise any additional liabilities to reflect an agreement with a defined benefit plan to fund a deficit, where the entity has already measured and recognised its defined benefit obligation/asset in accordance with paragraphs 28.15 and 28.18 (and additionally for assets, paragraph 28.22) of FRS 102, even though this may differ from the accounting required by entities applying EU-adopted IFRS? If not, why not?
Yes, for reasons set out in our covering letter, we agree with the proposed amendments to FRS 102, even though this may differ from the accounting required by entities applying EU-adopted IFRS.

Question 2 - Do you agree with the proposed new paragraph 28.15A of FRS 102 and the other proposed amendments to FRS 102? If not, why not?
Yes, we agree with the proposed new paragraph 28.15A of FRS 102 and the other proposed amendments to FRS 102. Without this amendment, movements in the asset ceiling would be recognised in profit or loss, which is not what we believe the FRC intended. We note that this proposed amendment is consistent with the treatment required under IFRS and we do not see that there are good reasons to diverge from IFRS on this point.