

Susanne Pust Shah  
Financial Reporting Council  
8<sup>th</sup> Floor  
125 London Wall  
London  
EC2Y 5AS

[ukfrs@frc.org.uk](mailto:ukfrs@frc.org.uk)

9 June 2015

Dear Ms Pust Shah,

**Consultation Paper FRED 61 – Draft Amendments to FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland: Share-based payment transactions with cash alternatives***

***Introduction***

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies. Their individual market capitalisations tend to be below £500m.

The Quoted Companies Alliance is a founder member of European **Issuers**, which represents over 9,000 quoted companies in fourteen European countries.

The Quoted Companies Alliance Financial Reporting Expert Group has examined your proposals and advised on this response. A list of members of the Expert Group is at Appendix A.

***Response***

We welcome the opportunity to respond to this consultation.

Overall, we believe that the proposed changes will help and are an improvement on what exists now. We have previously raised concerns about the fact that the FRC is continuing to make changes to FRS 102 after the transition date for many entities. We recommend that the FRC undertakes a root cause analysis to identify the reasons why such late changes are required and consider how future consultations could be improved.

Concerning the proposed changes, we believe that if the end result is that if there is a chance that the option might be settled in cash, then a provision needs to be made for the cash that might be due. This seems to be a sensible outcome, with the proviso that companies should not need to use an option valuation model to estimate the cash payment (i.e. value can be made on intrinsic basis). If an option valuation model is still required, then we would urge the FRC to identify a model that has been demonstrated to be appropriate for the type of companies that will be using FRS 102.

We suggest that the FRC identifies a model that is appropriate for use by companies that will be applying FRS 102 when there is no cash settlement alternative.

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies.

*Responses to the specific questions*

**Q1** The proposed requirements for share-based payment transactions with cash alternatives: (a) align the requirements in FRS 102 with full IFRS and previous UK and Irish GAAP in cases where the entity can choose to settle in cash or equity; (b) retain the current requirements of FRS 102 to recognise a liability where the recipient can require settlement in cash; and (c) generalise the requirements to include those cases where the settlement method is dependent on an external event.

**Do you agree with this proposal and the draft amendments to paragraph 26.15 of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland? If not, why not?**

No response.

**Q2** The amendments are proposed to be effective from 1 January 2015. Nevertheless, entities were able to apply FRS 102 to accounting periods commencing prior to 1 January 2015 and if so, may have adopted the extant requirements of paragraph 26.15 of FRS 102. Based on the assumption that this will not be an issue for many entities, if any, FRED 61 does not contain any transitional provisions.

**Do you agree that transitional provisions are not required for the purposes of this proposed amendment? If not, please tell us what transitional provisions you would suggest and why.**

No response.

If you would like to discuss our response in more detail, we would be happy to attend a meeting.

Yours sincerely,



Tim Ward  
Chief Executive

**Quoted Companies Alliance Financial Reporting Expert Group**

<b>Matthew Stallabrass (Chairman)</b>	<b>Crowe Clark Whitehill LLP</b>
Jonathan Lowe	Baker Tilly
Andrew Westbrook	
Nick Winters	
Anna Draper	BDO LLP
Amy Shephard	Deloitte LLP
David Gray	DHG Management
Shalini Kashyap	EY
Gary Jones	Grant Thornton UK LLP
Anthony Carey	Mazars LLP
David Pugh	Nationwide Accident Repair Services PLC
Nigel Smethers	One Media iP Group PLC
Joseph Archer	PKF Littlejohn LLP
Donna Caira	Saffery Champness
Matthew Howells	Smith & Williamson LLP
Jack Easton	UHY Hacker Young
Ian Davies	Vislink PLC
Edward Beale	Western Selection Plc