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22 January 2016

Dear Madam,

FRED 62 - draft amendments to FRS 102 - fair value hierachy disclosure

We welcome the opportunity to comment on the proposed amendments to FRS 102's fair value hierarchy disclosures. We have also sought the views of PricewaterhouseCoopers Ireland and our responses to the questions asked by the FRC and other comments are given below. In particular we encourage the FRC to issue the amendment and make it available for use as soon as possible so that entities have the opportunity to use the revised disclosure framework in their 2015 financial statements.

Question 1

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

Comments:

We agree with the amendment proposed to FRS 102.

As noted by the Accounting Council in its advice to the FRC, we see that the methodology for determining fair values in paragraph 11.27 has not been updated to bring it into line with the revised disclosures. This inconsistency could potentially create some confusion. For example, an item might have been valued using the approach in paragraph 11.27(c), but be disclosed as level 2 for the purposes of fair value hierarchy. However, there is no requirement to reconcile the valuation methodology with the fair value disclosures and we recognise that the FRC would need to consider any unanticipated impact on other sections of FRS 102 that refer to paragraphs 11.27 to 11.32 before amending those paragraphs. Therefore, as the benefits of consistent disclosure outweigh any potential confusion, we agree with the Accounting Council's recommendation to revise paragraph 11.27 as part of the first triennial review.

We also note that the definition of active market in FRS 102 is not the same as in IFRS 13. This is unlikely to be a problem for most entities, but defining an active market can be difficult under IFRS and having a slightly different definition in FRS 102 does not allow a direct comparison. We suggest that this is another area to consider as part of the triennial review.

Question 2

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

Comments:

We agree with the proposed effective date being accounting periods beginning on or after 1 January 2017. However we note that a significant number of entities have expressed an interest in adopting the revised requirements early. The revised standard is currently expected to be issued in March 2016, but we encourage the FRC to do all it can to expedite publication to enable as many December year-end entities as possible to apply the new requirements. This could have a noticeable effect on some entities' FRS102 conversion costs as it would avoid the need for a restatement of the disclosure (in the current year on adopting FRS 102 and in the following year when the prior year's fair value hierarchy would have to be restated).

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.

Comments:

We welcome the proposed amendment and note the numerous benefits that it will bring:

- Preparers of financial statements (or service organisations used by them) in the affected industries, and the readers of those financial statements, are largely familiar with the proposed fair value hierarchy that will aid comparability with IFRS financial statements. As a result the financial statements will provide more meaningful information to the different stakeholders;
- The comparability with IFRS 13's fair value hierarchy allows easier consolidation processes for group financial statements prepared under IFRS. We understand that similar benefits may also be apparent for subsidiaries of groups reporting under US GAAP;
- Preparers may have a number of systems/processes/IT tools already in place to ensure compliance with the proposed fair value hierarchy. Therefore there is potential for significant time and cost savings.

If you have any questions or would like to discuss any of the comments we have made in this letter, please contact Peter Hogarth on 020 7213 1654.

Yours faithfully,

PricewaterhouseCoopers LLP

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