

## The Future of UK GAAP”, ASB August 2009

### Consultation Response by University of Oxford

Question 1 – Which definition of Public Accountability do you prefer: the Board’s proposal (paragraph 2.3) or the current legal definitions (paragraph 2.5)? Please state the reasons for your preference. If you do not agree with either definition, please explain why not and what your proposed alternative would be?

The University of Oxford find the term ‘public accountability’ confusing as a public benefit entity like the University is ‘non-publicly accountable’ and this would be difficult to explain internally especially with increased disclosures being included in our OFR for Public Benefit Reporting.

The removal of ambiguous terms will help non-specialists understand the structure of the proposed accounting regime.

Question 2 – Do you agree that all entities that are publicly accountable should be included in Tier 1? If not, why not?

A principled approach based on all publicly accountable entities being included in Tier 1 is strongly supported.

Question 3 – Do you agree with the Board’s proposal that wholly-owned subsidiaries that are publicly accountable should apply EU adopted IFRS? If not, why not?

No Comment

Question 4 – Do you still consider that wholly-owned subsidiaries that are publicly accountable should be allowed reduced disclosures? If so, it would be helpful if you could highlight such disclosure reductions as well as explaining the rationale for these reductions.

No Comment

Question 5 – Do you agree with the Board’s proposal that the IFRS for SMEs should be used by ‘Tier 2’ entities?

University of Oxford support the proposal provided the characteristics of public benefit entities are reflected within Tier 2 arrangements.

Question 6 – Do you agree with the Board’s proposal that the IFRS for SMEs should be adopted wholesale and not amended? If not, why not? It would be helpful if you could provide specific examples of any amendments that should be made, as well as the reason for recommending these amendments.

University of Oxford support the proposal. It would not be desirable to create a UK version of IFRS for SMEs.

Question 7 – Do you agree with the Board’s proposal that large Non-Publicly Accountable Entities should be permitted to adopt the IFRS for SMEs? Or do you agree that large entities should be required to use EU adopted IFRS? Please give reasons for your view.

This proposal is a logical consequence of adopting a principle based approach to the accounting regime as opposed to one that is driven by size of entity and is strongly supported by University of Oxford.

Question 8 – Do you agree with the Board that the FRSSE should remain in force for the foreseeable future?

No Comment

Question 9 – Do you agree that the FRSSE could be replaced by the IFRS for SMEs after an appropriate transition period, following the issuance of the IFRS for SMEs?

University of Oxford believe that for very small entities the FRSSE should be maintained and not replaced with IFRS for SMEs.

Question 10 – Do you agree with the Board’s current views on the future role of SORPs. If not, why not?

University of Oxford believe that the current HE Sorp provides useful guidance for the Education sector and would like to see it updated for IFRS changes. This reflects the fact that certain sectors have unique characteristics and there is a need to adhere to the ASBs Statement of Principles in terms of financial information being relevant, comparable, and understandable to enable stakeholders, funders, and regulators to make sense of those particular industries and sectors.

Question 11 – Do you agree with the Board’s proposal to develop a public benefit entity standard as part of its plans for the future of UK GAAP? If not, how should (converged) UK GAAP address public benefit entity issues?

University of Oxford strongly support the proposal to create a generic public benefit entity and our preferred approach would be to develop a common standard for public benefit entities supplemented by specific SORPs. A generic standard will enable a common approach to be developed to deal with many shared issues across the public benefit sector (as identified in the consultation paper), while individual SORPs will deal with the elements of uniqueness in individual sectors so that financial reporting adheres to the Statement of Principles.

The generic public benefit entity could cover areas like endowment accounting which are not specifically mentioned in IFRS

a public Benefit SORP will also provide a better a basis for auditor firms signing off fin statements.

Question 12 – If you do agree with the proposal to develop a public benefit entity standard, should the standard cover all the requirements for preparing true and fair view accounts or should it cover only those issues where IFRS or the IFRS for SMEs needs to be supplemented for the public benefit entity sector?

University of Oxford strongly support the ‘stand alone’ approach with a standard covering all the requirements for preparing a true and fair view, using IFRS for SMEs as the starting point and in effect developing an IFRS for PBEs as its sister document, with equal status.

The advantage of an IFRS for PBEs is that a one-stop shop approach is adopted making the application and interpretation of IFRS considerably more practical to implement and more accessible to readers of financial statements, in particular trustees, funders and regulators. The two document approach would leave the users of PBE financial statements at a considerable disadvantage.

University of Oxford believe it is essential that the burden of implementation is minimised and proportionate and that the resultant regulatory regime is transparent and fair across all sectors. A PBE standard sitting alongside IFRS for SMEs would place public benefit entities at a significant disadvantage compared to non-PBE’s, leaving public benefit entities with two standard documents to manage and apply rather than one.

Question 13 – Do you agree the issues listed in the above table are distinctive for the public benefit entity sector and should therefore be covered in a public benefit entity standard? What other issues might the proposed standard include?

University of Oxford support the proposal that a common standard address the issues identified in the consultation document, which appears to have identified all of the distinctive issues facing public benefit entities.

Heritage assets are a major issue for Universities and Charities so we believe they should be covered in the PBE.

Question 14 – The Board accepts there may be a continuing need for guidance to supplement a public benefit entity standard in sectors such as charities, housing and education. Where this is the case, do you think the Board should provide a Statement confirming the guidance is consistent with UK GAAP, including the public benefit entity standard?

As previously set out, we believe that there will be a need for continuing guidance to supplement the new proposed public benefit standard, reflecting the local needs of the charity, housing and FE/HE sectors. If this guidance is to be accepted by users of the financial statements and by external auditors then it needs authoritative endorsement.

As a preparer of accounts, the most important document is a tailored document for the sector and University of Oxford believe this aim is best served by a SORP.

Question 15 – If you are an entity whose basis of preparing financial statements will change under these proposals, what are the likely effects of applying those new requirements? Please indicate both benefits and costs and other effects as appropriate. If you are a user of financial statements (such as an investor or creditor) what positive and negative effects do you anticipate from the implementation of the proposals set out in this paper?

The cost of implementing a new set of accounting standards will be high. In April 2009 BUFDG and PricewaterhouseCoopers LLP published a report on the potential impact of implementing full IFRS by making comparison to the current UK GAAP based HEFE SORP. This report (attached for information) identified:

- 14 areas of significant difference
- 18 areas of some difference
- 13 areas of minor or no differences

There is a fear that the change to full IFRS is going to result in a substantial increase in complexity and in the length of financial statements, diminishing readability, adding to the mystique and growing impenetrability of financial statements. We are also greatly concerned that the gulf between internal management reporting and external financial reporting will increase under full IFRS.

Question 16 – What are your views on the proposed adoption dates?

If the adoption date is to include a Public Benefit Standard and the SORP's based on them, then the date appears too ambitious.

We would assume if there were a delay in producing a SORP then the IFRS implementation compliance would also be delayed for institutions likely to be impacted by the SORP to avoid moving to an interim reporting regime. Maybe a separate timetable maybe needed for Public Benefit Entities.