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To whom it may concern,

The Institute of Certified Public Accountants in Ireland welcomes the opportunity to comment on:

**‘ASB paper Policy Proposal The future of UK and Irish GAAP’**

In response to specific questions asked, we would like to make the following comments:

**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?**

We agree with the definition as per paragraph 2.3 but with the following addition “An entity which would not otherwise qualify as a “Publicly Accountable” entity but which has given a guarantee to an entity which has so qualified , should by reason of that guarantee be deemed to be a publicly accountable entity.

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

Yes we agree including those covered by the suggested amendment outlined above

**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?**

Yes

**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 we don't think there should be limited disclosure. Such exemptions could result in inconsistencies of presentations of transactions that were similar in nature in both the parent company and its wholly owned subsidiary.

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

There are 3 proposed tiers of Financial Reporting Proposed as follows:

Tier 1: Listed Companies and Publicly Accountable Entities  
Proposal: Use EU Adopted IFRS

Tier2: Non Publicly Accountable Entities  
Proposal: IFRS for SMEs

Tier 3: Small Entities  
Proposal: FRSSE

We don't agree with the proposed Tier 2 treatment as these entities large non-traded entities typically referred to as "Corporates" or "Mid/Large Corporates" as appropriately defined. It may not be appropriate to these entities and we feel that they should be included in Tier One as a consequence.

**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.**

Yes we agree that IFRS for SMEs should be adopted wholesale and not amended. Our rationale for this being:

Move towards convergence  
Simplification of financial reporting  
Consistency  
Comparability

We also would like to see more convergence between full IFRS and IFRS for SMEs when possible and practical. Problems arising could be reviewed after a two year period.

**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.**

The definitions of Large Non Publicly Accountable Entities (i.e. the inverse of the definitions in paragraphs 2.3 and 2.5) requires far more discussion. These definitions relate largely to publicly traded and deposit taking entities.

However, there are other forms of Large Non Publicly Accountable Entities in respect of which we feel “IFRS for SMEs” would not be appropriate. For example, large private companies could have substantial bank borrowings, trade creditors and shareholders that full IFRS may be more appropriate for the users of these financial statements.

We feel that consideration should be given to using full IFRS for this category/type of entity.

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

We agree in principle with the ASB that FRSSSE should continue to be used for the foreseeable future, particularly in view of the increase in the turnover threshold to £6.5 million.

However, we note the field test results of ACCA practitioners. In the field test 23 of the 25 companies were using FRSSSE and encountered no great problems in moving to “IFRS for SMEs”.

Therefore, in the medium term, after a transition period for “IFRS for SMEs” expires, and any proposals to change “IFRS for SMEs” has been considered and agreed, we would welcome a move by all entities to full “IFRS” or “IFRS for SMEs”. This would then result in a two tier rather than a three tier approach giving substantially greater comparability for users.

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

Yes but only following a review of the application of “IFRS for SMEs” to determine whether it is justified considering the cost of conversion to “IFRS for SMEs” for Tier 3 entities. “FRSSSE” is not widely used in Ireland at present and therefore in time a review should be carried out to determine the level of Tier 3 entities opting to adopt the “FRSSSE” rather than “IFRS for SMEs”.

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

Yes.

**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?**

Agree with the Board’s approach.

**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?**

Would support a proposal for standards for public benefit entities just covering those issues where “IFRS” or “IFRS for SMEs” need to be modified or interpreted for public benefit entities.

**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?**

We agree that the issues listed in the table on pages 37 and 38 are distinctive for the public benefit entity sector and should therefore be covered in a public benefit entity standard. Although the issues listed in the table are not exhaustive they would appear to deal with the important issues.

**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?**

On balance we think the Board should provide a Statement confirming the guidance is consistent with UK GAAP, including the public benefit entity standard.

**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?**

DR: The major benefit would be reporting arrangements would be more targeted and proportionate reporting requirements based on the nature of an entity’s accountability obligations and its size. Also improved comparability and the enhanced understanding of financial reports through greater consistency should assist in building investor and creditor confidence.

There would be one-off IT and training costs in moving to IFRS and although there have been surveys done which have indicated these costs would not be significant it’s our view that the practical difficulties which will arise during the changeover period will result in significant costs being incurred by entities. In addition under IFRS there would probably be a greater level of disclosure required in financial reports which will extend the time required to produce the annual financial reports. There should be guidance given with regard to the additional period on applying the changeover standards to opening assets and liabilities.

The main positive effect to users of financial statements from the implementation of the proposals set out in the consultation paper will be improved comparability of

financial reports across similar size entities and across geographical boundaries. However, there will probably be a short term negative to users of financial statements during the changeover period until they get used to the different presentation under IFRS. In addition under IFRS there would probably be a greater level of disclosures required in financial reports which could lead to greater difficulties for users in gaining an understanding of annual financial reports.

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

On balance the proposed adoption date would appear to be reasonable.

The Institute of Certified Public Accountants in Ireland hopes that these comments are beneficial to you and we would be happy to discuss any of the above with you.

Yours sincerely,

Declan Nestor  
Chairperson, Financial Reporting Sub - Committee

