

**POLICY PROPOSAL:
THE FUTURE OF UK GAAP**

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?

I do not agree with both definitions and would prefer one which looks at the equity/debt structure of the company as a basis of identifying the appropriate IFRS, my reasons being:

- Generally ownership and management are not closely linked in companies with complex or numerous shareholders, as such, the company accounts form the only basis to evaluate the performance without the added ability to seek extra information from the management. IFRS SME appears to be geared to companies where there is a strong interrelationship between management and equity holders.
- Complex equity structures lend themselves, generally, to larger organisations which then are comparable to listed companies due to size of operations. As such, they should adopt the full IFRS which allows comparability.
- The underlying basic use of a set of accounts is for the shareholder, all users have the ability to ‘negotiate’ their information requirements with the company e.g. creditors, banks etc. Hence the complexity of the set of accounts being published should relate back to the shareholder/ owner.

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

I believe that all entities that all entities that are publicly accountable should be included in Tier 1.

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?

I agree that wholly owned subsidiaries that are publicly accountable should apply EU adopted IFRS.

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.

I do not believe it is necessary that the subsidiaries need disclosure reductions.

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

IFRS for SME should be based on my comments on Q1.

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.

With the move to commonality of accounting standards, I believe that the IFRS should be adopted wholesale instead of being adjusted to reflect tax implications.

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.

I believe the basis should be equity complexity as outlined in Q1.

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

No, I believe these companies should adopt IFRS for SME.

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?

Yes

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

SORP cover the specific industries and information is targeted and not generic. This enables the accounts to take into account the peculiarities of the industry and provide meaningful information.

I believe the Board can do more in this area by looking at every industry sector and identifying critical characteristics and ensuring that financial information provided takes account of the industry sector. So the generic IFRS (EU adopted) would cover 80% of the information with an additional page (requirements maintained by the Board) covering industry specific financial information.

Provided by

Rama Devi Nair FCCA
nair_rema@hotmail.com