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Response to consultation paper from the Accounting Standards Board – August 2009

The future of UK GAAP

Financial reporting for Public Benefit entities

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As an accountant working in the charity sector for many years I have been advocating for a long time the need for an International Accounting Standard that covers Public Benefit entities or charities. The need for such a standard is obvious as PBE have become large international organisations working across many countries and attract a great deal of public and governmental interest in their activities. The challenge has always been how to define a PBE as different countries would have different standards to define Public Benefit. The recent campaign in the UK by the charity commission to help organisations understand what constitutes public benefit has exposed the complexities related to this area.

I agree with the Board's proposal to develop a public benefit entity standard as part of its plans for the future of UK GAAP. It should cover all issues IFRS needs to be implemented for the public benefit entity, ultimately with the purpose of ensuring that financial statements give a true and fair view.

Apart from the issues listed that I agree with, there needs to be guidance on:

- income received in kind whether in goods or time,
- Income recognition where income may arise as a result of tax rebates (gift aid) or where expenditure is incurred on the basis of future revenues. (This is especially important for charities when utilising unrestricted funds to react to emergencies only to recoup the funds utilised from donations received later to replenish unrestricted funds.
- Accounting treatment of income from multi-national bodies such as the EU & UN that could be clawed back in part or completely years after being received and discharged.
- The treatment of endowment funds.
- Treatment of trading income.
- Treatment of assets purchased from grants that could be requested back by the original grantee.

The FRS should make it easier for a member of the public to understand how activities have taken place by the charity on a global basis.

Where the board accepts there may be a need for guidance in sectors such as charities then the guidance should state whether it complies with UK GAAP including the public benefit standard.