

POLICY PROPOSAL

The future of UK GAAP

These are the comments of Christopher Try, for and on behalf of Try Lunn & Co.

- Q1 Public Accountability, there does not seem to be too much practical difference between the two definitions, but on balance I favour that in paragraph 2.5.
- Q2 Agreed, all entities that are publicly accountable should be in Tier 1.
- Q3 If the subsidiary is publicly accountable itself – by virtue of what it does, full disclosure should be required. If the subsidiaries activities are such that it is not publicly accountable, only its parent is, and provided it is “small” as defined in the FRSSE, FRSSE disclosure should suffice.
- Q4 Suppose the group is publicly accountable, but it has small trading subsidiaries, say in port services or engineering; the full disclosure requirements on these small separate companies are onerous and expensive. They also produce little information of real value for the customers of and suppliers to these small subsidiaries. FRSSE accounts are adequate. The full disclosures are expensive and onerous and provide little of value.
- Q5 In my opinion having 3 separate standards and approaches is 1 too many. In my view Tier 2 companies should account in the same way as Tier 1 companies.
- Q6 I disagree, if the IFRS for SME’s is adopted for Tier 2 entities it may as well be adopted for Tier 3 entities, rather than keeping the FRSSE for them. In my opinion Tier 2 entities should account in the same way as Tier 1 entities and FRSSE entities should account according to the FRSSE.
- Q7 Large Non-Publicly Accountable Entities should account in the same way as Tier 1 entities.
- Q8 I agree. The FRSSE should remain. The FRSSE is the basis for accountancy for all small companies, sole traders and partnerships. Sage, in about April or May 2009

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published some statistics which said that there were about 4,676,000 businesses in Britain. Of these only 30,000 employed more than 50 people these are the Tier 1 and Tier 2 entities. This suggests that there are about 4,646,000 businesses in Britain that are “small” and prepare their accounts on the basis of the FRSSE. They do not need or deserve an academic change imposed on them that has little real value and will involve them having to meet significant and unnecessary costs.

Q9 No. The FRSSE should stay for the foreseeable future. Academic change for changes sake makes no sense. There is nothing wrong with the FRSSE. It is not broken. It does not need fixing. Changing the FRSSE would simply be a waste of time for no real purpose.

Q10 I have particular knowledge of the SORP’s concerning Charities and Pension Schemes. Both work well. Both should not be changed. It is staggering that the SORP for Pension Schemes is the only standard available, and that it was put together by PRAG. No set of academic theorists should be allowed to tinker with it.

Q11 Public Benefit Entities – Local Government, Quango and Government accounting needs to be sorted out. It is a mess. Do not, under any circumstances change the Charities SORP and impose any changes on Charities. Do not, re Charities, fix something that is not broken. Charities do not deserve being meddled with. But other public sector bodies i.e. Government, Local Government and Quangos need to be sorted out; they need to start to have proper measurement of their financial performance, proper financial management and they need to start to operate on the basis of proper standards and normal financial disciplines.

Q12 I have some experience of the public sector, Local Government, Central Government and the Quango sector. They “bend” funding streams. They do Trust economy. They shift revenue to capital; and capital to revenue as the mood suits. They do accounts on a cash basis. They do off balance sheet finance. They have flexible standards. It is no wonder that our public finances are a shambles. In my view the requirement for a “true and fair view” and rigorous standards, including ethics, are essential in the public sector.

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- Q13 Agreed with the broad issues, but it should go further. E.g. PFI liabilities should be properly accounted for by the UK Government. Pension liabilities should be accounted for by the UK Government and local authorities etc., etc. etc., as if the public sector was a properly run entity. It is distressing that RBOS has been tainted by its transfer to the public sector and that it is considered in its 2008 accounts, following the transfer to the public sector, that it can break company law. You will of course know that the share premium of £14.3 billion on the December public rights issue was transferred to distributable reserves rather than accounted for as capital. This is a good example of public sector financial rule “bending”. The purpose of this being to pretend that RBOS can legally pay a dividend – see pages 245, 246 and 243 of the accounts.
- Q14 Yes, but I repeat, UK Charities, should not be subject to any change in the present SORP. And the SORP for UK Charities should not be used as “a cover” for not sorting out the UK Government, local Authorities and Quango’s etc.
- Q15 N/A
- Q16 Adoption dates – agreed.