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**COMMENT ON THE CONSULTATION PAPER:
THE FUTURE OF UK GAAP**

by Jane B Grant, partner

Q1 Which definition of Public Accountability do you prefer: the Board's proposal or the current legal definition?

I decidedly prefer the Board's definition. In my view, this should include any entities (including charities) which collect, disburse or retain donor, member or customer monies as well as the more obvious banks and credit unions.

Q2 Do you agree that all entities that are publicly accountable should be included in Tier1?

Yes, with no exceptions for size.

Q3/4 Do you agree with the Board's proposal that wholly-owned subsidiaries that are publicly accountable should apply EU-adopted IFRS?

Yes, with no exceptions.

Q5/6 Do you agree with the Board's proposal that the IFRS for SMEs should be used by Tier 2 entities?

Yes, with no amendments for the UK and Ireland.

Q7 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?

I think size should cease to be used as a distinguishing characteristic. Once the Publicly Accountable definitions are established, any non-Publicly Accountable entity should be entitled to use IFRS for SMEs.

Q8/9 Do you agree with the Board that the FRSSE should remain in force for the foreseeable future? Do you agree that the FRSSE could be replaced by the IFRS for SMEs after an appropriate transition period?

I disagree on this point. IFRS for SMEs should be adopted by non-publicly accountable entities as soon as practicable. I consider the FRSSE an unsatisfactory standard that should not mandate qualitative and measurement treatments for "small" entities that are different from those used for larger entities (eg leases, provisions, taxes). While there is a justification for reducing the quantity of information provided by "small" entities, I think that any user of accounts – supplier, employee, bank manager, tax inspector, shareholder – has a right to expect that all accounts are drawn up using the same measurement methods.

Q10 Do you agree with the Board's current views on the future role of SORPs?

Yes.

Q11/12/13 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? Should the standard cover all the requirements for preparing true and fair accounts or should it cover only those issues where IFRS (or IFRS for SMEs) need to be supplemented for the public benefit entity sector?

A separate standard approach is better than either a framework (not sufficiently useful) or separate text in IFRSs. There is scope to combine the two suggestions at 3.12.i and 3.12.iii as the separate standard could

usefully have chapters on particular issues and, in my view, should not address every aspect of preparing true and fair accounts. IFRSs (more than FRSSs) can be used without supplementary material by many not-for-profit entities. I do, however, agree that the table on pages 37 and 38 highlights some items that may benefit from further guidance.

Q14 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?

Yes. Although one must presume that eventually all the guidance will be perfect!

Q15 If you are a user of financial statements, what positive and negative effects do you anticipate from the implementation of the proposals set out in this paper?

I believe the institutions potentially moving up to Tier 1 will find it difficult to argue that the move has any negative effects beyond cost. The positive benefits to users of accounts will largely derive from comparability and certainty.

Q16 What are your views on the proposed adoption date?

There are several scheduling commitments for all entities already in the pipeline and the start date suggested seems ambitious.

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