

FRC consultation: Going Concern and Financial Reporting: proposals to revise the guidance for directors of listed companies

I refer to the above consultation paper. I offer the following comments as an observer. **These views are given in a personal capacity.**

Question 1: In the light of these developments, do you believe that there is a continuing need for separate Guidance for Directors about Going Concern?

Yes, I see no reason why it should not still be helpful

Question 2: Do you believe that the proposed amendments [to existing Guidance] are sufficient and appropriate? If not, what alternative amendments do you believe need to be made and why?

The amendments seem reasonable and appropriate to me, except regarding the following:

- page 18 section 47 Content of disclosure: Regarding the new fourth conclusion (the new 3rd bullet point) that the FRC are proposing: *"they have identified material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern and so additional disclosures are required by IFRSs"*. I think this is sensible in that it reflects the wording of the IAS requirement. But I wonder how this fits in with the other options of "doubt" and "unlikely" - it may end up adding complications when considering what to disclose. For example, will it be easy to justify that something meets the "doubt" test as opposed to the "significant doubt" test, particularly with the benefit of hindsight. Also if there is material uncertainty that casts significant doubt, this seems similar to saying that it is "unlikely"? Perhaps the new option should replace the existing "doubt" option, but this might be viewed as a retrograde step e.g. may result in less disclosure?

If this additional conclusion is adopted, I have the following comment on the proposed wording: it is not clear to me whether in such a case the directors should still use the going concern basis - I assume yes? If so, should the words also include the same wording as for the existing "doubt" test (i.e. 2nd bullet point) e.g. *"...but they consider that it is appropriate to use the going concern basis in preparing the financial statements"*?

- page 20 section 57 Interim reporting: the FRC have added proposed words that refer to the new DTR terminology of "half yearly financial reports" and the recent additional requirement for "interim management statements". But the rest of the text is unaltered and hence the use of the word "interim" in the 4th line may now be confusing (*"...Directors cannot be expected to consider going concern as fully at the interim, but they should undertake a review of their previous work..."*). Is "interim" meant to refer to IMSs as well as half yearly reports? I suggest this point should be clarified?

Question 3: Do you believe that any significant parts of the proposed guidance can be deleted as unnecessary? If so, which paragraphs can be removed and why?

I have no view on this.

Question 4: Do you believe that it continues to be appropriate to include standardised text within the proposed Guidance for Directors indicating how directors might explain their use of the going concern basis of accounting?

I have no strong view here - I would have thought it may still be helpful but perhaps it could be made clear that the standardised wording is not mandatory to avoid encouraging the use of boilerplate wording.

Question 5: Do you believe that it continues to be appropriate for the Guidance for Directors to require directors to consider whether an additional disclosure should be given where they have not considered a period that extends to at least twelve months from the date of approval of the financial statements?

I note that the IFRS requirement is for a period of 12 months from the end of the reporting year (i.e. 31 December) whereas the Guidance requirement is for 12 months from date of approval of accounts. Personally on the basis that the Guidance requirement gives comfort for an extra 3 to 4 months (e.g. helpful for an

investor relying on the going concern statement) I would support retaining it. But the IFRS requirement may be more appropriate?

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