



THE ASSOCIATION
OF INTERNATIONAL
ACCOUNTANTS

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**FRC publishes Consultation Paper setting out its
proposals to revise the Guidance for Directors on
Going Concern and Financial Reporting**

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Association of International Accountants

Staithe 3, The Watermark, Metro Riverside,
Newcastle upon Tyne, NE11 9SN, United Kingdom
T: +44 (0) 191 493 0277 F: +44 (0)191 493 0278 E: aia@aiaworldwide.com W: www.aiaworldwide.com

Company number 00264086. The AIA is a Recognised Qualifying Body for company auditors in the UK.

Introduction

These comments are submitted by the Association of International Accountants, with input from a technical committee and members of the Association. AIA would like to thank Mr Bob Greenwood for his input in this response.

About AIA

AIA is one of six statutorily Recognised Qualifying Bodies (RQBs) in the United Kingdom for statutory auditors under the Companies Act 2006. The AIA professional qualification is recognised throughout the European Union and in other major financial centres around the world.

The Association promotes and supports the advancement of the accountancy profession both in the UK and internationally. Whilst supporting international accounting and auditing standards the AIA seeks to ensure that its examinations and membership requirements support the development of the accountancy profession in the countries in which it examines.

The AIA's examinations for membership have been held half-yearly on a world wide basis for 80 years. The examinations are based on International Financial Reporting and International Auditing Standards and are complimented by a range of variant papers applicable to local tax and company law in key jurisdictions together with an optional paper in Islamic Accounting. As an RQB under the UK Companies Act 2006 the AIA offers to students who take its examinations commencing in or after June 1991 and go on as members to complete special audit-based practical training under the AIA, an accountancy qualification which is recognised by the UK Government under that Act as a recognised professional qualification for statutory auditors in the UK.

AIA members are fully professionally qualified to undertake accountancy employment in the public and private sectors.

Opening Comments

The Association of International Accountants (AIA) is pleased to respond to the above Consultation Document, and our comments are set out in detail below.

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?

AIA proposes that a more fundamental change is necessary to the existing Guidance for Directors due to developments in accounting standards and markets because the responsibility for actually doing the Going Concern assessment lies with the Board of Directors.

Whether the directors make an explicit written statement in the annual report that the period they have reviewed in making their assessment of going concern does not extend to at least 12 months from the date of their approval of the financial statements is sufficient should be debated further.

Perhaps there should be a greater emphasis on Interim Financial Reports to how that responsibility is reaffirmed.

Question 2

Do you believe that the proposed amendments are sufficient and appropriate? If not, what alternative amendments do you believe need to be made and why?

AIA believe that the proposed amendments should consider the exposure of different businesses to the Going Concern risk and require directors to make an assessment of their own business's Going Concern risk

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?

AIA does not believe that any significant parts of the proposed guidance can be deleted as unnecessary.

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?

AIA agrees that it is appropriate to continue including standardised text within the proposed Guidance for Directors indicating how directors might explain their use of the going concern basis of accounting.

There should be more focus on making mandatory narrative and numerical disclosures of cash flow forecasts and key accounting ratios emerging from these forecasts to compel directors to report how they will manage the credit, liquidity and market risk in projecting the future position and performance of their business.

Question 5

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?

As the twelve month period recommended by FRC in its guidance is twelve months from the date of approval of the financial statements; this could in practice mean an assessment of going concern status of eighteen months since the last Statement of Financial Position date.

Therefore, AIA supports the proposal from the FRC to include a fourth provision, reflecting the requirements of IFRS: that they have identified material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern.