

Private and ConfidentialBy post and email
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Financial Reporting Council
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28 August 2009

Dear Mr Leonard

Consultation on exposure draft “Going Concern and Liquidity Risk – Guidance for Directors of UK Companies”

We welcome the opportunity to comment on the above exposure draft and applaud the Financial Reporting Council for taking time to update this guidance for all company directors.

Having experienced the use of the “*update for directors of listed companies: going concern and liquidity risk*” that was published during 2008, we are confident of the positive impact that this updated guidance can have. We do, however, have concerns as to the non-mandatory nature of the guidance and we consider that this should be complemented by an overall strengthening of accounting standards in relation to going concern. We therefore recommend that the FRC use its resources to draft suggested amendments to both FRS18 and IAS1 that could be presented to the ASB and the IASB. In the case of IAS1, timely action would enable the IASB to consider the matter as part of their current Financial Crisis project.

Additionally, we do believe that the guidance could be more assertive in instructing directors regarding the use of the phrase “*material uncertainties that may cast significant doubt on the ability of the entity to continue as a going concern*”. The specifics of this assertion by management, which is currently not explicit in the accounting framework, is a key aspect of the auditors consideration of the appropriateness of the adequacy of the directors disclosure, according to ISA (UK & Ireland) 570. As such we believe that the guidance should be more direct in instructing directors of the requirement to use this phrase when appropriate.

Response to Specific Questions

- 1. Do you agree that the FRC should provide guidance on going concern relevant for directors of all companies? If so, do you believe that the Exposure Draft achieves this in a reasonably balanced way?**

Yes, we agree. The current economic conditions do not apply only to listed companies and therefore it seems a sensible move to develop the guidance to include all companies. All



directors are required to make the same assessments about the companies under their control regardless of size.

2. Do you agree with the principles as drafted? If not how would you amend them?

Yes, we agree with the principles. A principles based approach is a good way of allowing directors to scale the requirements for the size of their company. We do feel that the additional information and examples provided by way of an appendix is also very useful in order to demonstrate application of the principles.

3. Do you agree with the three conclusions? If not, please explain what alternative you would suggest?

Yes we agree with the three conclusions. It is also particularly sensible to highlight the effects on the audit report of each conclusion depending on the disclosures made by the directors.

4. Do you agree that the directors should disclose when the period they have considered is less than twelve months from the date of approval of half-yearly and interim financial statements that give a true and fair view?

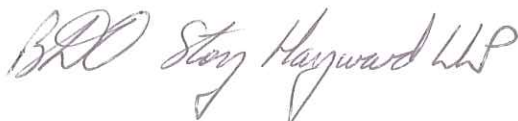
Yes, we agree. In order for statements at the year end to give a true and fair view there is a requirement to disclose when the period is less than 12 months from the balance sheet date therefore to ensure consistency in interim reporting it seems appropriate to implement the same requirement.

5. Do you believe that it would be appropriate to replace the existing Guidance for directors with this document for periods ending on or after 31 December 2009? If not, what alternative application date would you suggest?

Yes we agree that this guidance should replace current guidance for periods ending on or after 31 December 2009. This still gives directors plenty of time to implement these requirements in the current period.

Should you wish to discuss these comments, please contact Iain Lawson on 020 7893 3623.

Yours faithfully



BDO Stoy Hayward LLP