



Grant Thornton

Our Ref GM/SM/FRC GOING CONCERN 0509
Your Ref FRC GOING CONCERN 0509

Steven Leonard
Financial Reporting Council
5th Floor Aldwych House
71-91 Aldwych
LONDON
WC2B 4HN

27 August 2009

National Office

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London NW1 2EP

T +44 (0)20 7383 5100
F +44 (0)20 7383 4715
DX 2100 EUSTON
www.grant-thornton.co.uk

Dear Sir

Exposure draft: Going concern and liquidity risk: guidance for directors of UK companies - May 2009

We welcome the opportunity to comment on the above exposure draft and we support the approach taken by the FRC in seeking views from stakeholders.

The November 2008 "Going Concern and Financial Reporting: an update for Directors" (the Update) was well received and we welcome the leadership that the FRC is taking in this area.

It is important that the exposure draft consolidates the Update and the 1994 Guidance, and at the same time, draws on the lessons learned from recent months. The exposure draft achieves these objectives in a balanced and proportionate way.

However the questions preparers need to address to satisfy themselves the going concern basis is appropriate should at least match the questions auditors need to consider. Currently the going concern standards for auditors are more complex and demanding and therefore to some degree, the auditor appears to the outsider to be taking a greater responsibility on going concern than directors. For this reason the guidance for directors on consideration of the going concern basis could be better aligned with the audit requirements, and we ask that the FRC discusses this matter with the ASB, and urge the IASB to consider amendments to accounting standards.

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

Going concern is a fundamental accounting concept that underlies the preparation of the annual and interim financial statements of all UK companies. On this basis, we support the scope of the exposure draft.

The majority of directors are from non-listed companies and therefore the FRC's principle of "think small first" is welcomed. It is also helpful that parts related to specific Listing Rules are highlighted.

We would recommend that the wording within paragraph 3 is made clearer, as non-DTR users who prepare half-yearly financial statements may consider that this guidance does not apply.

Chartered Accountants

Member firm within Grant Thornton International Ltd
Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

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

We agree with the principles as drafted but believe the guidance could be better aligned with the auditor's requirements as noted above in our introduction. We accept that such an alignment is the purview of the accounting standard setting bodies, which is why we believe the FRC's role should be to encourage the ASB to urge the IASB to make the necessary changes in IFRS. These changes could then filter down to UK GAAP.

The FRC may consider promoting paragraphs 76-80 under the heading "Balances, proportionate and understandable disclosures" to the head of Section 4 as these paragraphs provide the objective to the principle of disclosures.

The terminology of "unqualified going concern conclusion" within paragraph 17 could confuse some users as it is similar to the audit report terminology. The terminology could usefully be changed to "The directors are presumed to conclude that there are no uncertainties arising from their assessment of going concern, unless specific reference is made."

We also recommend that the table of disclosure references in paragraph 66 should refer to both IFRS and UK GAAP applicable to periods commencing on or after 1 January 2009.

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

We agree with the three conclusions.

However, the table in paragraph 20 could create confusion as disclosure about liquidity risk and other matters to give a true and fair view apply in all three conclusions, and not just the first. We would recommend that this point is made in all three conclusions.

We also believe the listing requirements within the table of paragraph 20 are misleading as even if there are no material uncertainties casting significant doubt on going concern, directors may need to state supporting assumptions. The table suggests this is not the case and we recommend the references to the listing requirements relating to the first conclusion are reconsidered.

Question 4: Do you agree that the directors should disclose when the period they have covered is less than twelve months from the date of approval of half-yearly and interim financial statements that give a true and fair view?
We agree that a consistent approach to the disclosure of the review period for both annual and interim financial statements is appropriate.

Question 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 approach date would you suggest?

Providing the final guidance is issued by the end of October we would support the draft application date. It is important that preparers of financial statements have sufficient time to consider new guidance.

If you have any questions on this report please contact Steve Maslin (phone: 020 7728 2736, email: steve.maslin@gtuk.com) or Giles Mullins (phone: 01908 359609, email: giles.m.mullins@gtuk.com).

Yours sincerely

A handwritten signature in black ink, appearing to read 'SM', with a horizontal line underneath.

Steve Maslin
Head of External Professional Affairs
For Grant Thornton UK LLP

T 020 7728 2736
F 020 7728 2736
E steve.maslin@gtuk.com