



# MAKINSON COWELL

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

31 July 2009

Dear Mr Leonard,

**EXPOSURE DRAFT  
GOING CONCERN AND LIQUIDITY RISK:  
GUIDANCE FOR DIRECTORS OF UK COMPANIES**

We welcome the publication of this exposure draft and are sure that updating the guidance on how to decide whether the going concern assumption is appropriate will be useful in these troubled times. We are, however, concerned at the suggestion that an explicit disclosure is required even in the case that no issue exists about the going concern decision.

**Makinson Cowell**

Makinson Cowell is a capital markets advisory business dealing particularly in all aspects of communication between preparers of financial statements and their professional institutional investors. Our UK clients include around a third of the FTSE 100 and a similar number of companies below this size. We are regularly involved in reviewing disclosures by our retained clients and in commenting on regulatory requirements and on the areas which are of greatest importance to investors. We felt obliged to respond to this exposure draft when a client informed us that his auditors were insisting on inclusion of a paragraph we feel would be quite redundant in an interim report.

**Responses to questions**

We have no issues with the FRC being an appropriate body to provide guidance on going concern matters, nor that the principles require directors to address whether the going concern assumption is appropriate and to do so in a proportionate manner.

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**Unnecessary disclosure**

We are, however concerned that, in para 84 of the document that the FRC appears to be suggesting that explicit disclosure is required that the interim statements are prepared on a going concern basis where there is no issue whatever that this is an appropriate method of preparation. We have several concerns about this:

- Such a disclosure adds no useful information for investors and might well be considered alarmist.
- Such a disclosure, providing no useful information goes against the spirit of the FRC's own project for reducing complexity in financial reporting.
- There have already been a number of additional disclosures required by the transparency directive and the business review such as the requirement to reprise principal risks and uncertainties where these are unchanged or to include a directors' responsibility statement, which have little or no value for investors in the default case. These all add up to make reports lengthier and more difficult to use. We do not feel this trend should be encouraged and your own report, in para 79, draws a similar conclusion.

We would urge the FRC to clarify that no disclosure is required when there is no reason whatsoever to call the going concern basis into question. Going concern is the expected basis for financial statements and redundant disclosures reiterating this should be discouraged rather than encouraged.

Regards

Yours sincerely

Andrew Jones MA, FCA, CFA  
Partner/Head of Research  
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