



Accounting Standards Board

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5 May 2009

Dear Michael

Contingent Fee Arrangements

Further to previous correspondence with the Institute of Chartered Accountants in England and Wales, regarding the accounting for contracts with contingent fee arrangements that are incomplete at the period end, the Accounting Standards Board (ASB) considered the matter at its meeting on 23 April 2009.

The ASB noted that it had previously commented (Inside Track no.56) that the resolution in the post balance sheet period of the contingency, under a contingent fee contract, was a non-adjusting event.

The ASB also noted that its attention had been drawn to the evolution of two approaches, in practice, to the accounting for the cost of work performed under contracts with contingent fee arrangements that were incomplete at the period end; either expensing the cost of work performed as incurred, or recognising the costs of work performed as work in progress at the period end.

The ASB agreed that UK financial reporting standards currently permit either of these approaches to the recognition and measurement at the period end of the cost of work performed under contingent fee arrangements. Thus where the amounts involved are material, those responsible for the financial statements should apply their professional judgement to select the accounting policies most appropriate to the particular circumstances in accordance with FRS 18 *Accounting policies*, paragraph 17.

Contingent Fee Arrangements

Yours sincerely



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Chairman

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CC: Matt Blake - HMRC Commissioners' Advisory Accountant