

29 April 2015

For the attention of Jenny Carter
Financial Reporting Council
8th Floor
125 London Wall
London
EC2Y 5AS

Dear Sirs

FRED 60: draft amendments to FRS 100 'Application of Financial Reporting Requirements' and FRS 101 'Reduced Disclosure Framework'

We are pleased to comment on the recently issued FRED 60 which contains limited proposed amendments to FRS 100 and FRS 101, most of which are consequential as a result of changes to FRS 102 and to the legal framework applying to small entities, or required as a result of other changes to company law. We have responded to the specific questions posed in the consultation paper in turn below.

We have some concerns that the new UK financial reporting framework has been something of a 'moving target' of late but nonetheless agree that necessary changes should be processed as soon as possible to enable them to be taken into account by first time adopters of the new regime, many of which will be preparing their first set of accounts under the new framework for the year ended 31 December 2015. We also recognise that the FRC's hands are tied in some respects because of the requirements of the Accounting Directive, although this has more of an impact on FRS 102, the proposed amendments to which we have commented on separately.

We agree that amendments to FRS 101 as proposed in FRED 57 should be processed at the same time as amendments arising from FRED 60 so that there are not too many changes to FRS 101 in too short a period of time.

1. Do you agree with the amendments proposed to FRS 100 and FRS 101? If not, why not?

We agree with the proposed amendments to FRS 100 which arise as a result of the introduction of FRS 105, the removal of the FRSSE and various legal changes.

We do have some concerns in respect of the introduction of a prohibition on reversing impairments of goodwill although appreciate this may now be required by law. Whilst this has the benefit of consistency with the IFRS for SMEs and indeed with full IFRS, it introduces another difference from current UK GAAP into the new financial reporting framework. In some, although we would accept

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limited, situations it is entirely possible for the circumstances which led to a previous impairment of goodwill to reverse and – like full IFRS – the new UK financial reporting framework now incorporates an inconsistency in treatment between goodwill and other intangible assets.

We agree with the proposed amendments to FRS 101. We appreciate that the amendments to reflect the *possibility* of extraordinary items occurring are required by law although in reality extraordinary items no longer occur, and have not for many years.

2. This FRED is accompanied by a Consultation Stage Impact Assessment. Do you have any comments on the costs or benefits discussed in that assessment?

We would note that the Impact Assessment deals with the introduction of FRS 105 and the removal of the FRSE and does not really address any issues relating to FRED 60 other than incidentally. Our separate comment letters on proposed changes to FRS 102 and on the draft FRS 105 consider the costs or benefits arising from these changes.

We hope that our comments are useful to you. If you have any questions, then please contact Tessa Park.

Yours faithfully



Kingston Smith LLP