

Our ref: JS/CS
Your ref: FRED 76

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Submitted via email to: ukfrs@frc.org.uk

1 September 2020

Dear Easton

Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime - COVID-19-related rent concessions

Grant Thornton UK LLP (Grant Thornton) welcomes the opportunity to comment on the Financial Reporting Council's (FRC) consultation 'FRED 76 Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime - COVID-19-related rent concessions'.

Grant Thornton UK LLP is a leading financial and business adviser. In the UK we're led by 190 partners and over 4,500 people. We can also call on a global network of some 50,000 people in over 135 countries.

We support the proposals that are set out in FRED 76. We are supportive of the FRC's decision to provide unambiguous guidance on how lessees should account for COVID-19 related rent concessions.

We have set out our detailed responses in the appendix to this letter.

If you have any questions on our response, or wish us to amplify our comments, please contact Jonathan Shaw (telephone: 020 7728 2454, email Jonathan.D.Shaw@uk.gt.com)

Yours sincerely
for and on behalf of Grant Thornton UK LLP

Jonathan D Shaw

Director

Responses to specific questions

Question 1

Do you agree with the proposed amendments to FRS 102 and FRS 105? If not, why not?

We generally agree with the proposed amendments to both FRS 102 and FRS 105. We support the FRC's decision to set out a clear and unambiguous accounting treatment to be applied to COVID-19 related rent concessions. In our view, the application of this consistent accounting treatment should contribute to the comparability of financial statements which should be of benefit to users in these unusual times. We recommend that the FRC considers providing some illustrative examples to show how the proposed accounting treatment should be applied.

Question 2

Do you agree with the proposed effective date for these amendments? If not, what difficulties do you foresee?

While it is unusual to have an amendment to an accounting standard with an effective date prior to its publication, we understand the need to do so and cannot foresee any problems with the proposal.

Question 3

The proposed amendments to FRS 102 require a lessee to disclose those changes in lease payments recognised in accordance with paragraph 20.15C. The Basis for Conclusions describes the reasons for this proposal and the existing disclosures required by FRS 102 relevant to this transaction.

Do you consider that these disclosure requirements are sufficient to meet the needs of users?

We consider that the most useful information to users is the effect on future cash flows that may arise from the COVID-19 rent concessions and consider that the proposed amended disclosure requirement should meet this objective.

Question 4

In relation to the Consultation stage impact assessment, do you have any comments on the costs and benefits identified? Please provide evidence to support your views.

We have no comments to make on the impact assessment. We are supportive of the assessment that the required accounting change is not complex to apply and should result in financial statements reporting the intended economic effect of COVID-19 rent concessions received.