

Association of Accounting Technicians response to FRED 60 Draft Amendments to FRS 100 and FRS 101

Association of Accounting Technicians response to FRED 60 Draft Amendments to FRS 100 *Application of Financial Reporting Requirements* and FRS 101 *Reduced Disclosure Framework*

1. Introduction

- 1.1. The Association of Accounting Technicians (AAT) is pleased to have the opportunity to respond to FRED 60 Draft Amendments to FRS 100 *Application of Financial Reporting Requirements* and FRS 101 *Reduced Disclosure Framework* released on 19 February 2015.
- 1.2. AAT is submitting this response on behalf of our membership and to support AAT's objective "to advance public education and promote the study of the practice, theory and techniques of accountancy" and for the wider public benefit.
- 1.3. AAT has commented in order to add value to the process-in-hand or to highlight aspects that need to be considered further.
- 1.4. AAT has focussed on the operational elements of the proposals and has provided opinion on the practicalities in implementing the measures outlined.
- 1.5. Furthermore, the comments reflect the potential impact that the proposed changes would have on SMEs and micro-entities, many of which employ AAT members or would be represented by our operationally skilled members in practice.

2. Executive summary

- 2.1. UK GAAP is undergoing a considerable period of change with the introduction of a predominantly IFRS-based financial reporting framework. In addition, the transposition of the EU Accounting Directive into the Companies Act 2006 (Companies Act) has given rise to the need to amend the requirements of UK GAAP so that financial reporting frameworks reflect the revised Act.
- 2.2. FRS 101 *Reduced Disclosure Framework* was issued with the overarching objective of enabling qualifying subsidiaries preparing their accounts under the recognition and measurement principles of IFRS (subject to some amendments required to comply with the Act) to take advantage of reduced disclosures within their individual financial statements provided equivalent disclosures are made in the consolidated financial statements. Amendments to the Companies Act in respect of adapting the statutory formats for the financial statements have given rise for the need to make limited amendments to FRS 101.
- 2.3. AAT supports the proposals contained in FRED 60 on the basis that the proposed amendments will ensure consistency with the revised company law requirements.

3. AAT response to the Exposure Draft “FRED 60 Draft Amendments to FRS 100 Application of Financial Reporting Requirements and FRS 101 Reduced Disclosure Framework”

Question 1

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

- 3.1. AAT supports the proposed amendments to FRS 100 and FRS 101 as they reflect the requirements of the revised Companies Act 2006 following the transposition into UK law of the EU Accounting Directive.
- 3.2. In addition AAT supports the proposed withdrawal of the FRSSE (effective January 2015) and the introduction of FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime and hence the draft amendments to FRS 100 are supported by AAT.
- 3.3. The current version of FRS 101 requires a qualifying subsidiary to prepare Companies Act format financial statements. It is inherently burdensome to consolidate Companies Act financial statements with those of the parent that have been prepared under the provisions of EU-adopted IAS 1 *Presentation of Financial Statements*. This is because the EU-adopted IAS 1 is more flexible in how it allows the primary financial statements to be prepared, whereas the Companies Act 2006 (prior to the transposition of the EU Accounting Directive) significantly restricted any adaptation of the format of financial statements.
- 3.4. By allowing qualifying subsidiaries to adapt the statutory formats of the balance sheet (statement of financial position) and profit and loss account (income statement) to be closer to the formats in IAS 1, this inherent complexity will be reduced and will allow for a much smoother consolidation process to be adopted by the parent entity.

Question 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?

- 3.5. In relation to FRED 60, it is AAT’s view that cost-savings will be achieved as a result of the ability of qualifying subsidiaries to adapt their balance sheets (statements of financial position) and profit and loss accounts (income statements). These cost-savings will be in the form of a less burdensome consolidation procedure and AAT supports the amendments proposed by FRED 60.

4. Conclusion

AAT supports the proposed amendments contained in FRED 60 and believes they reflect consistency with the revised company law requirements as a result of the transposition of the EU Accounting Directive into companies’ legislation.

5. About AAT

- 5.1. AAT is a professional accountancy body with over 49,800 full and fellow members and 78,400 student and affiliate members worldwide. Of the full and fellow members, there are over 4,100¹ Members in Practice who provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types.
- 5.2. AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

6. Further information

If you have any questions in respect of our response or you would like to discuss any of the points that we have made in more detail then please contact AAT at:

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¹ Figures correct as at 31 March 2015