

CONSULTATION

FINANCIAL REPORTING COUNCIL

FRED 60: DRAFT AMENDMENTS TO FRS 100 APPLICATION OF FINANCIAL REPORTING REQUIREMENTS AND AMENDMENTS TO FRS 101 REDUCED DISCLOSURE FRAMEWORK

ABOUT AIA

The Association of International Accountants (AIA) was founded in the UK in 1928 as a professional accountancy body and from conception has promoted the concept of 'international accounting' to create a global network of accountants in over 85 countries worldwide.

AIA is recognised by the UK government as a recognised qualifying body for statutory auditors under the Companies Act 2006, across the European Union under the mutual recognition of professional qualifications directive and as a prescribed body under the Companies (Auditing and Accounting) Act 2003 in the Republic of Ireland. AIA also has supervisory status for its members in the UK under the Money Laundering Regulations 2007.

AIA promotes and supports the advancement of the accountancy profession both in the UK and internationally. The AIA exams are based on International Financial Reporting and International Auditing Standards and are complimented by a range of variant papers applicable to local tax and company law in key jurisdictions together with an optional paper in Islamic accounting.

AIA members are fully professionally qualified to undertake accountancy employment in the public and private sectors.

SUMMARY

AIA is pleased to respond to the FRC's request for comment on its Exposure Draft FRED 60 which will apply to reporting entities for accounting periods commencing on or after 1 January 2016. Financial reporting in the UK and Republic of Ireland is undergoing a significant period of change due to the introduction of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. It is intended that by the end of 2016, all reporting entities will be reporting under principles contained in FRS 102, although the disclosure requirements for small and micro-entities will be significantly reduced as a result of the transposition of the EU Accounting Directive into companies' legislation.

FRS 101 *Reduced Disclosure Framework* offers reduced disclosures for qualifying entities falling within its scope provided the equivalent disclosures are made within the consolidated financial statements. FRS 101 is amended as a result of the EU Accounting Directive offering such entities flexibility in adapting the statutory financial statements layouts.

AIA have responded to the specific questions laid down in the FRED as follows:

1. DO YOU AGREE WITH THE AMENDMENTS PROPOSED TO FRS 100 AND FRS 101? IF NOT, WHY NOT?

AIA supports the amendments proposed by the FRC to FRS 100 and FRS 101 on the basis that such amendments reflect the requirements in the revised Companies Act 2006 following the transposition of the EU Accounting Directive into the legislation.

The withdrawal of the FRSSE (effective January 2015) is also supported by AIA on the grounds that it is unsustainable in its current format and in light of the changes for small company financial statements brought about by the EU Accounting Directive, it is sensible to withdraw the FRSSE and move small companies (other than micro-entities) under the scope of FRS 102.

Prior to the Companies Act 2006 allowing entities the flexibility in adapting the statutory layouts of the financial statements, it was fairly burdensome to consolidate the subsidiary's financial statements prepared in accordance with the Companies Act 2006 with the financial statements prepared under EU-adopted IAS 1 *Presentation of Financial Statements* principles. This is because EU-adopted IAS 1 provides more flexibility in how the financial statements are presented and hence relaxing the rules in the Companies Act 2006 and also within FRS 101 to allow companies more flexibility where the layouts are concerned is supported by AIA.

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?

AIA believes that the cost-saving opportunities will be experienced by parent companies who will have less burden in consolidating their subsidiaries financial statements and hence the cost-savings will be reflected in less time spent on the consolidation exercise.

FURTHER INFORMATION

The above replies represent our comments upon this consultation document. We hope that our comments will be helpful and seen as constructive. AIA will be pleased to learn of feedback, and to assist further in this discussion process if requested.

If you require any further information, please contact:

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