

Private and Confidential

By email

FAO Jenny Carter
Financial Reporting Council
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Dear Jenny

FRED 80 Draft amendments to FRS 100 - Application of Financial Reporting Requirements - Application Guidance - Interpretation of equivalence

BDO LLP welcomes the opportunity to comment on the proposed amendments to FRS 100 as set out in FRED 80.

We support the proposed amendments that are a necessary response to changes to the Companies Act 2006 ('the Act'), following the UK's exit from the European Union.

We believe the amendments are consistent with the revised requirements of the Act and will provide some assistance to preparers in interpreting and applying section 401 of the Act.

However, the cost to some UK companies of interpreting equivalence when applying the Act could be reduced with some further amendments to the Application Guidance as noted in our responses in Appendix 1.

Yours sincerely

Lianne Egidi on behalf Anthony Appleton (Partner, Technical Standards Group)
For and on behalf of BDO LLP

Appendix 1

Responses to consultation questions

Question 1

We support the proposed amendments, considering them necessary following the UK's exit from the European Union and consequential changes to section 401 of the Companies Act.

However, the Financial Reporting Council could further reduce the potential complexity and cost of interpreting equivalence for preparers of financial statements for those UK companies that are subsidiaries of EEA companies preparing consolidated financial statements in accordance with the European Union's Accounting Directive.

Paragraph AG4 indicates that the Financial Reporting Council aims to assist preparers that might otherwise take an overly cautious approach in interpreting equivalence. Paragraph AG5 places particular focus on the requirement to give a true and fair view and notes that compliance with every detail of the Act's requirements is not necessary.

To meet the aims set out in AG4 and to avoid uncertainty for UK subsidiaries of EEA state parent companies and the cost of assessing equivalence, the Financial Reporting Council could further note the similarities between the Accounting Directive and the Companies Act, in particular the common requirement for accounts to present a true and fair view. The guidance could indicate that, unless and until there are significant changes to the Act or the Accounting Directive, accounts prepared in accordance with the Accounting Directive will (or at least are highly likely to be) equivalent.

Question 2

We have no comments on the cost/benefit analysis provided other than to note that we consider the benefits of the proposed amendments exceed their costs but that the benefits could be even greater (by reducing the potential costs of interpreting equivalence) if further guidance on the equivalence of the Act and the European Union's Accounting Directive was provided.