



Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

Tel: + 44 20 7951 2000  
Fax: + 44 20 7951 1345  
ey.com

Jenny Carter  
Financial Reporting Council  
8<sup>th</sup> Floor  
125 London Wall  
London  
EC2Y 5AS

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Direct line: 020 7951 2025

Email: [aclifford@uk.ey.com](mailto:aclifford@uk.ey.com)

Dear Ms Carter

## **FRED 63 - Draft amendments to FRS 101 *Reduced Disclosure framework* 2015/16 cycle**

### **Introduction**

Ernst & Young LLP welcomes the opportunity to comment on FRED 63 issued by the Financial Reporting Council ('the FRC').

### **Overall comments on FRED 63**

We agree that qualifying entities preparing individual financial statements under FRS 101 should be exempt from certain disclosure requirements in IFRS 15 *Revenue from Contracts with Customers* as we set out in our response to FRED 57. We have some minor comments on the proposed disclosure exemptions.

If you have any matters arising concerning the content of our response, please contact Tony Clifford on 0207 951 2250.

Yours sincerely

Ernst & Young LLP

## Responses to FRC questions

### FRED 63 Draft amendments to FRS 101 2015/16 cycle

#### Question 1

The principles for determining whether disclosure exemptions from EU-adopted IFRS should be available in FRS 101 are set out in paragraph 9 of the Accounting Council's Advice. These are relevance, cost considerations and avoiding gold plating.

Qualifying entities have limited external users of financial statements. These external users are likely to be providers of credit with a greater focus on information that supports the statement of financial position of the qualifying entity, when compared with detailed analysis of performance as required by some of the disclosures in IFRS 15 *Revenue from Contracts with Customers*. Do you agree?

We agree that qualifying entities applying FRS 101 should be exempt from some of the disclosure requirements in IFRS 15 as we set out in our response to FRED 57. However, some qualifying entities (e.g. financial institutions such as banks and insurance companies) may have significant external users of their financial statements such as policyholders or depositors in addition to providers of credit.

In respect of the specific exemptions proposed by paragraph 8(eA) of draft paragraph FRS 101 we have the following comments:

- we believe that paragraph 123 should not be subject to an exemption since this requires the disclosure of significant judgments and estimates and therefore complements the similar requirements in IAS 1; and
- we believe there should be an exemption from paragraph 128(b) since this relates to information supporting the income statement.

#### Question 2

Do you consider that additional refinements could be made to the principles set out in paragraph 9 of the Accounting Council Advice that, when applied, would help to increase further the cost-effectiveness of FRS 101?

We believe that the principles set out in paragraph 9 of the Accounting Council's advice provide a sound basis for determining which of the disclosure requirements of EU-adopted IFRS should be applied by qualifying entities.

#### Question 3

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

We have the following comments:

#### ***Paragraph A2.11A of FRS 101***

We believe that this paragraph should be expanded to include the equivalent references for banking and insurance entities, for example as follows (amendments underlined):

“Paragraph 42(2) of Schedule 1 to the Regulations, paragraph 52(2) of Schedule 2 to the Regulations and paragraph 60(2) of Schedule 3 to the Regulations require the notes to financial statements...”

***Equity method in individual financial statements of banking and insurance entities***

Paragraph 13 of the Accounting Council advice implies that company law permits the use of the equity method in the individual financial statements of all entities. In fact, the use of the equity method under company law is restricted to those entities preparing financial statements under Schedule 1 of the Regulations.

As a result, the option within EU-adopted IFRS to use the equity method appears to be unavailable to banking and insurance entities reporting under Schedules 2 and 3 of the Regulations respectively. We believe that the legal appendix should mention this restriction and that paragraph 13 of the Accounting Council’s Advice should be amended slightly to acknowledge that the change applies only to certain companies.

**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 on the quantifiable costs or benefits of these proposals

We have no comments to make.