

## Linda Feeney

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**From:** Duncan Barr <duncan@dbaca.co.uk>  
**Sent:** 24 May 2017 12:51  
**To:** UKFRS  
**Cc:** 'contactus@icaew.com'  
**Subject:** FRS 102 FRED 67 response

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Dear Sirs,

I write in response to the request for comments on FRED 67.

I am restricting my detailed comments to the “Amendment to FRS 102 (May 2017): Directors’ loans – optimal interim relief for small entities”, issued on 8 May 2017.

This is a welcome amendment, albeit coming three years late. It is a sad indictment of the FRC and the professional bodies (including ICAEW), who should be lobbying for workable and sensible standards, that it has taken until May 2017 for the nonsensical requirements in FRS 102(1A) related to directors’ loans in small companies to be corrected. I say nonsensical because those of us who provide accountancy services to owner-managers have difficulty enough explaining certain accounting and tax rules to our clients (and sometimes to their banks and other providers of finance) without layering on top an academic requirement that has to be un-picked for our clients to understand their financial statements.

The problem is that this amendment does not go far enough. In particular, it SHOULD BE APPLIED directly, or by analogy, to other transactions, events or conditions, including:

- Loans to or from directors who are not shareholders
- Loans to or from shareholders who are not directors
- Loans to or from other connected parties, widely defined, including relatives of directors/shareholders, other “group” companies and companies under common control

In fact it is hard to think of a situation for small companies where the requirement to measure loans at present value, with a discount rate applied, actually makes sense in terms of the accounts being understandable and usable by stakeholders. The ludicrous example of the interest-free season ticket loan in ICAEW Financial Reporting Faculty’s FRS 102 July 2016 update illustrates well the complicated and pointless nature of these rules. All they do is add cost and confusion to the preparation of accounts.

I have to say there are countless other aspects of FRS 102, Section 1A, that are also a retrograde step from the FRSE (and accompanying SSAPs, FRSEs and UITF pronouncements) it replaces. I know that it came about as a result of an EU Directive but standard setters should now be looking to return the UK to the top of the league in terms of the quality of our accounting standards not require those of us at the sharp end to implement something that is not fit for purpose.

Your faithfully

Duncan Barr

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