

**Mr Easton Bilsborough,
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31 August 2020

[Submitted via email to: ukfrs@frc.org.uk]

Dear Easton,

Subject: *FRED 76 - Draft amendments to FRS 102 and FRS 105 - COVID-19-related rent concessions*

The Accounting Committee of Chartered Accountants Ireland (AC) welcomes the opportunity to comment on the FRC's Exposure Draft (FRED) on *Draft amendments to FRS 102 and FRS 105 - COVID-19-related rent concessions*.

AC's responses to the questions asked are set out in the attached Appendix 1.

If you would like to discuss this response further, please contact me at barbara.mccormack@charteredaccountants.ie.

Yours sincerely

**Barbara McCormack
Secretary to the Accounting Committee of Chartered Accountants Ireland**

Appendix 1

Question 1

Do you agree with the proposed amendments to FRS 102 and FRS 105? If not, why not?

In relation to lessees, AC agrees that recognising changes in operating lease payments that arise from COVID-19 related rent concessions over the period intended to be compensated is an appropriate method of reflecting the economic substance of the concession. AC also notes the FRC objective of avoiding lessees adopting inconsistent treatments for similar concessions and thus its proposal to mandate this treatment for both lessees and lessors.

However, in relation to lessors, AC considers that it is arguable that mandating this treatment would not reflect the long term nature of the lessor's return on the leased asset and that the more usual approach of spreading the lease return on a straight line basis over the remaining lease term should not be prohibited.

As permitting a choice for lessors, but not for lessees, would appear inconsistent, AC suggests that the FRC consider also permitting lessees the option of spreading the effect of the concessions over the remaining lease term. AC appreciates that this would be likely to result in inconsistent accounting treatments but notes that the IASB has permitted an optional practical expedient for these concessions and that the FRC has a general policy of adopting IFRS-based solutions to accounting problems.

Question 2

Do you agree with the proposed effective date for these amendments? If not, what difficulties do you foresee?

Question 3

The proposed amendments to FRS 102 require a lessee to disclose those changes in lease payments recognised in accordance with paragraph 20.15C. The Basis for Conclusions describes the reasons for this proposal and the existing disclosures required by FRS 102 relevant to this transaction.

Do you consider that these disclosure requirements are sufficient to meet the needs of users?

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.

AC has no additional comments to make on these three questions.