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For the attention of Mei Ashelford

28 June 2017

Dear Sirs

**Financial Reporting Exposure Draft 67 ("FRED 67"): 'Draft amendments to FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland Triennial review 2017 Incremental improvements and clarifications'**

We welcome the opportunity to comment on FRED 67 and the FRC's consultative approach to gathering feedback to develop these proposals. Although we would have liked to see more substantial proposals in some areas, most notably deferred tax, we support the FRC's measured approach of deferring significant change to allow a period of stability.

We would like to draw attention to three specific points relating to the evolution of the Standard which raise some points of principle we have espoused during the development and review of Financial Reporting Standard 102 ("FRS 102").

**Intangible assets**

We have always considered that a key feature of FRS 102 should be to promote a robust and informed decision making process by management. We feel that this can only be good for the future of UK business. Despite this we understand that for many entities the need to separate and value intangible assets has been unduly onerous and we therefore support granting the option to choose whether to separate intangible assets from goodwill or not.

We would ask that encouragement is given to disclosure of the intangible assets included within goodwill, albeit without the requirement to value these separately. In the technological age the value of an increasing number of modern entities is largely encapsulated in intangible assets and the need to identify the nature of those assets makes management follow a clear thought process about the assets they are acquiring as well as providing relevant information to users of the financial statements.

Our support for further research by the FRC into financial reporting of intangible assets also backs the view that in the 21st century this is a key area of accounting.

**"Undue cost or effort" by another name**

Looking at the proposed measures relating to directors' loans, intra group property rentals and intangible assets, they appear to be practical solutions that are being specifically embedded into FRS 102 for reasons that can only be described as the need for "undue cost or effort" to deal with the existing standard. It therefore seems that the proposal to outlaw the term should be reconsidered.

Whilst any provisions where undue cost or effort is available will be subject to judgement, as the use of a Standard becomes more mature, custom and practice will affect what is acceptable in this regard. With the more established IFRS for SMEs increasing the use of "undue cost or effort" provisions, dropping it entirely for FRS 102 seems to be an early knee jerk reaction at a point when the Standard has hardly had a chance to be used in practice. It could also possibly lead to the type of "technical" qualification that was endemic under old UK GAAP when management departed from GAAP for cost/benefit reasons.

We also feel that dropping the possibility of using the concept of undue cost or effort could lead to a multiple-tiered approach to FRS 102 as described below with solutions cherry picked for a specific category of users whilst others are left stranded with no relief available.

The need for these tailored solutions would imply undue cost or effort could have a broader application rather than being abandoned.

**Two-tier system should be avoided**

We are concerned about the potential development of a two-tier approach within the Standard. The suggestion that different entities should apply different approaches or have extra exemptions within the same Standard is likely to lead to confusion and a lack of comparability. This could also be seen as the start of a "FRSSE" within FRS 102. We would prefer that this possibility be avoided.

This view is reflected in our responses to the detailed questions as follows:-

- In relation to non-interest bearing loans by directors to a company we consider that how a transaction is measured should not be determined by the size of one of the parties to the transaction (other than for micro-entities) but by the nature of the transaction itself. Therefore, in our view this measurement option should be available to all entities.

- It also seems inequitable that group companies should be able to avoid fair value of investment properties (presumably for undue cost or effort reasons) when other entities cannot, especially when undue cost or effort will no longer provide relief. The fact that FRS 102 is more onerous than IAS 40 should be considered. The more equitable solution would be to provide the cost option available to listed entities for all entities.

In each case we have suggested alternatives which would be available to all entities applying FRS 102 and which we consider would achieve one level of accounting based on the substance of the transaction rather than the size or type of the transacting parties.

In the attached Appendix we address the eight questions you raise for comment in FRED 67 and include some specific points of detail in our answer to Question 6.

If you would like to discuss any of the points raised in this response, please do not hesitate to contact Danielle Stewart (Danielle.StewartOBE@rsmuk.com).

Yours faithfully

RSM UK Tax and Accounting Limited

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## Appendix - Response to Questions

### Question 1

**Overall do you agree with the approach of FRED 67 being to focus, at this stage, on incremental improvements and clarifications to FRS 102? If not, why not?**

We support the FRC's measured approach of deferring significant change to allow a period of stability. However, we would have liked to see more substantial proposals in some areas, most notably deferred tax. For clarity, our comment in our 'Feedback on FRS 102' was:

*The requirements for the recognition and measurement of deferred tax in this section are difficult to interpret and apply because they combine two conceptually different approaches, being a timing differences approach with the balance sheet approach of IAS 12, without giving sufficient guidance or explanation. Certain of the UK GAAP manuals are advocating that the expected manner of recovery approach of IAS 12 is applied when preparing accounts under FRS 102 even though the Standard does not explicitly require this. In our opinion application of the expected manner of recovery, which focuses on the realisation of assets and settlement of liabilities, is not conceptually compatible with the timing difference approach to the recognition of deferred tax required by FRS 102 (except when recognising deferred tax on business combinations). We request that the FRC reconsider the requirements for the recognition and measurement of deferred tax and develop proposals with a single conceptual basis.*

More substantial changes to FRS 102 could have been considered alongside the incremental improvements and clarifications proposed in FRED 67 by splitting the exposure draft between 'fixes' with an earlier effective date to allow application as soon as reasonably possible, and more fundamental changes with a later effective date.

The next Triennial review is likely to cover a number of substantial areas, with decisions being required about which elements of IFRS 9, IFRS 15 and IFRS 16 to incorporate into the Standard and how to do so, based on the implementation experience of IFRS preparers. We would suggest tackling deferred tax and inclusion of additional guidance on other complex areas of FRS 102 now rather than waiting until the next review when there could be a number of other substantive changes.

We would re-iterate the point made in our 'Feedback on FRS 102', that a measured amount of guidance on more complex areas would result in more consistent application of FRS 102 given the breadth of companies (in terms of size and complexity) that are applying it. Guidance on the 'basic' financial instruments criteria, the scope and initial measurement of financing transactions, contingent consideration in a business combination and contingent fee arrangements would be particularly useful.

### Question 2

**FRED 67 proposes to amend the criteria for classifying a financial instrument as 'basic' or 'other'. This will mean that if a financial instrument does not meet the specific criteria in paragraph 11.9, it might still be classified as basic if it is consistent with the description in paragraph 11.9A.**

**Do you agree that this is a proportionate and practical solution to the implementation issues surrounding the classification of financial instruments, which will allow more financial instruments to be measured at amortised cost, whilst maintaining the overall approach that the more relevant information about complex financial instruments is fair value? If not, why not?**

We support the introduction of a principle for the classification of financial instruments as suggested in our 'Feedback on FRS 102'.

Although, we would have liked to see the proposals go further to make the principle of a 'basic lending arrangement' the foundation for classification and measurement, we appreciate that it would not be advantageous at this stage to revisit the classification of all financial instruments under a principles-based approach.

We, therefore, support the proposed introduction of the principle as an overriding consideration of 'substance over form' following an assessment of the 'basic' financial instrument conditions.

The proposals are a practical solution, and we agree that an assessment of whether the terms of a financial instrument are consistent with a 'basic lending arrangement' should be the benchmark used for amortised cost measurement.

Our concern is that the benefits of having the principle as a solution to the implementation issues surrounding the classification of financial instruments will not be fully realised without further explanation or application guidance. Whilst the level of guidance should be measured, without it there is risk of diversity and 'IFRS-creep' as preparers with IFRS experience 'fall-back' on application guidance in IFRS 9. In our view, the guidance in Example 8 is too narrow and introduces confusion, rather than clarity.

It would be helpful, and reduce implementation issues, if the examples in FRS 102 11.9A included other examples of instruments more commonly encountered by FRS 102 preparers , such as; (i) debt that converts to a fixed number of equity instruments of the issuer, (ii) debt that converts to a variable number of equity instruments of the issuer, (iii) perpetual debt that the issuer can call at any time at par plus accrued interest, (iv) deferred principal or interest payments that do not accrue additional interest.

### Question 3

**FRED 67 proposes that a basic financial liability of a small entity that is a loan from a director who is a natural person and a shareholder in the small entity (or a close member of the family of that person) can be accounted for at transaction price, rather than present value (see paragraph 11.13A). This practical solution will provide relief to small entities that receive non-interest-bearing loans from directors, by no longer requiring an estimate to be made of a market rate of interest in order to discount the loan to present value. Do you agree with this proposal? If not, why not?**

The proposal to permit initial measurement at transaction price will be a welcome simplification for small entities, but we consider that how a transaction is measured should not be determined by the size of one of the parties to the transaction (other than for micro-entities) but by the nature of the transaction itself. Therefore, in our view this measurement option should be available to all entities.

We recognised that the challenges of identifying a market rate and the nature of director/shareholder loans may result in transaction price being the most relevant and reliable measurement basis, and consider this should be the cornerstone to an alternative measurement to present value, rather than the size of the entity.

Without a 'level playing field' entities would be forced to measure transactions differently which are the same in substance, simply because one transaction takes place before and one after they 'tip-over' a financial threshold or the small company employee limits.

We would ask for clarification of the subsequent measurement of director/shareholder loans and for the FRC to consider simplifying the measurement to 'the undiscounted amount of cash or other consideration expected to be paid'.

If the exception remains only for small entities, we would ask the FRC to clarify that entities that cease being small will not be required to apply present value measurement retrospectively.

As a general point, we support the foundation that accounting should reflect the substance of the transaction rather than the size of the transacting parties. Our concern is that a specific exception for small entities in respect of director/shareholder loans will 'open the door' to two tiers of recognition and measurement in FRS 102 based on the size of the reporting entity. This would be a backwards step from the premise of consistent recognition and measurement when the FRSSE was withdrawn.

**Question 4**

**FRED 67 proposes to amend the definition of a financial institution (see the draft amendments to Appendix I: Glossary), which impacts on the disclosures about financial instruments made by such entities. As a result, fewer entities will be classified as financial institutions. However, all entities, including those no longer classified as financial institutions, are encouraged to consider whether additional disclosure is required when the risks arising from financial instruments are particularly significant to the business (see paragraph 11.42). Do you agree with this proposal? If not, why not?**

We agree with the principles-based amendments to the proposed definition of a financial institution.

However, the definition should be amended to specifically exclude entities whose income is generated from wealth management or transactions in financial instruments where the entity itself is not exposed to the underlying risks of the financial instruments, such as stockbrokers that are not dealing in their own right and investment managers.

Whilst the amended definition still requires judgement in its application, the consequences of those judgements will be less significant given the amendment in 11.42 to encourage any entity with significant financial instrument risks to provide the disclosures applicable to financial institutions.

We do not consider disclosure of capital (34.31 and 34.32) or the reporting of cash flows on a net basis (34.33) to be necessary for entities that are not financial institutions.

We support the specific removal of retirement benefit schemes from the definition of financial institutions. However, we note that as FRS 102 already exempts retirement benefit plans from the investment risk disclosures required by financial institutions and requires specific investment risk disclosures for them, there will be little impact on these entities. We recommend that in future reviews of FRS 102 the specific investment risk disclosures for retirement benefit schemes be reconsidered. In our view the credit risk disclosures relating to financial instruments held by retirement benefit schemes are generally relevant and useful although disclosures around the economic exposure risks are less meaningful in the context of retirement benefit schemes.

**Question 5**

**FRED 67 proposes to remove the three instances of the 'undue cost or effort exemption' (see paragraphs 14.10, 15.15 and 16.4) that are currently within FRS 102, but, when relevant, to replace this with an accounting policy choice. The FRC does not intend to introduce any new undue cost or effort exemptions in the future, but will consider introducing either simpler accounting requirements or accounting policy choices if considered necessary to address cost and benefit considerations.**

**As a result, FRED 67 proposes:**

**(a) an accounting policy choice for investment property rented to another group entity, so that they may be measured at cost (less depreciation and impairment) whilst all other investment property are measured at fair value (see paragraphs 16.4A and 16.4B); and**

**(b) revised requirements for separating intangible assets from the goodwill acquired in a business combination, which will require fewer intangible assets to be recognised separately. However, entities will have the option to separate more intangible assets if it is relevant to reporting the performance of their business (see paragraph 18.8 and disclosure requirements in paragraph 19.25B).**

**Do you agree with these proposals? If not, why not?**

***Undue cost or effort***

As noted in our covering letter we believe that the proposal to effectively exclude the concept should be reconsidered. Whilst the term "undue cost or effort" is not used in FRED 67, we note that some of the proposed amendments (particularly for director/shareholder loans and intangible assets) effectively apply the principle of "undue cost or effort".

As stated in our 'Feedback on FRS 102', given "undue cost or effort" is a concept to enable relevant entities to avoid the need to comply with requirements that would be unduly burdensome, it makes sense to maintain its use and ensure the areas to which it relates are aligned between FRS 102 and IFRS for SMEs where appropriate.

As the term "undue cost or effort" is neither defined, nor is there any guidance as to when it might be appropriate to apply, we ask the FRC to reconsider providing guidance on "undue cost or effort", as the IFRS for SMEs now does in Section 2, and to consider whether to align FRS 102 with the new requirement in the IFRS for SMEs for entities to disclose their reasoning for using "undue cost or effort".

***Investment Properties***

The cost option for properties rented to another group entity is in-line with our 'Feedback on FRS 102'. It will remove the complexity of applying the 'investment property' definition and we are fully supportive of this.

Whilst the removal of 'undue cost or effort' eliminates a level of judgement, it makes FRS 102 even more onerous than IAS 40 which permits cost as an alternative to fair value measurement. We agree that fair values should be available for UK investment properties without undue cost or effort, but note this may not extend globally to investment properties located outside the UK and may not be the case for some specialised properties.

In-line with the view expressed in our 'Feedback on FRS 102', if listed entities applying IFRS have the option to use the cost model, intellectually, private companies applying FRS 102 should not be forced to use fair value measurement.

We would also suggest inclusion of the fair value disclosure requirements in IFRS when the cost model is adopted unless fair value cannot be measured reliably.

A cost model would also address the additional complexity in applying the accounting for mixed-use properties if 'undue cost or effort' is removed.

***Intangible assets***

We recognise the challenges in measuring intangible assets and understand that the requirement to identify and, more specifically, to value intangibles aside from goodwill has proved onerous.

This is unfortunate as although goodwill and intangible assets are both subject to amortisation and impairment, the impact on results could be significant if subsuming intangible assets under the umbrella of goodwill means they are amortised over significantly different periods. Furthermore the encapsulation of intangible assets within goodwill will create its own challenges in determining the useful life of that goodwill.

We therefore strongly support the right for entities to choose whether or not to separately identify intangible assets. The option will meet the needs of the less complex entities as well as those moving towards IFRS and wanting to adopt a more sophisticated approach.

We would like to add that as a key feature of FRS 102 is to aid management thought and decision making we would ask that where an entity chooses not to separate intangible assets encouragement is given to disclosure by name of the intangible assets included within goodwill, albeit without the requirement to value these separately.

Finally, we also foresee challenges in consistent application of the option to recognise an intangible asset if expected future economic benefits are probable and cost or value can be measured reliably as the application of the option to 'any or all intangible assets' seems to conflict with the requirement to apply 'that the policy consistently to the relevant class of intangible assets.' Removing 'any or all' would resolve this potential conflict.

**Question 6**

**Please provide details of any other comments on the proposed amendments, including the editorial amendments to FRS 102 and consequential amendments to the other FRSs.**

We have additional comments on the following proposals:

***Investments in Non-Derivative Equity***

We agree that investments measured at fair value (or cost less impairment when fair value cannot be measured reliably) should be investments in non-derivative equity instruments, i.e. this measurement should be based on the classification of the underlying instrument rather than whether the underlying instrument is an ordinary or preference shares with specific terms.

The proposed amendments will address the inconsistency raised in our 'Feedback on FRS 102' between the accounting for perpetual debt and the accounting for non-puttable shares with a right to cumulative dividends.

***Fair Value Measurement***

The consideration of prices for 'similar assets' is a pragmatic approach but, as currently drafted, will be difficult to apply and could result in diversity and potential 'cherry picking' of the most favourable fair value. The potential for diversity and 'cherry picking' is enhanced by the lack of guidance on determining whether an asset is 'similar'.

To illustrate our concerns, under the proposals fair value is the quoted price for a 'similar asset' even if there is a recent transaction or binding agreement for an 'identical asset'. Judgements will differ as to whether an asset is 'similar' and therefore whether the quoted price of a similar asset, or recent transaction or binding agreement for an 'identical asset' is used as fair value.

We would suggest removing 'or similar asset' from (a), (b) and (c), and amending (c) to; "If the market for <u>*an identical*</u> asset is not active and any binding sale agreement or recent transactions of an identical asset on their own are not a good estimate of fair value, <u>*a quoted price for a similar asset in an active market or a binding sale agreement or recent transactions of a similar asset provides evidence of fair value. If the market for a similar asset is not active and any binding sale agreement or recent transactions of a similar asset on their own are not a good estimate of fair value*</u> an entity estimates the fair value using a valuation technique.

Some parameters on assessing whether an asset is 'similar' would also greatly aid preparers in applying this new concept.

***Revenue***

We welcome further guidance on disaggregation to assist in applying the revenue recognition criteria. However, we do not consider the current proposals achieve this as there is insufficient explanation or guidance on how to determine the 'separately identifiable goods or services of a single transaction'. This could result in the requirements being applied inconsistently.

Our preference would be to wait and introduce guidance aligned with IFRS 15 once there is sufficient evidence of its application in practice.

The example of a product sold with subsequent servicing need not go on to refer to how the amount allocated to servicing should be recognised. If this is retained we would request clarification that revenue for servicing is recognised in accordance with 23.14 to 23.16 rather than 'over the periods during which the servicing is performed'.

The wording in the additional paragraphs 23.33 & 23.34 is incorrect in FRED 67 as 23.33 says amounts are *due to* customers for unbilled WIP and 23.34 says amounts are *due from* customers if amounts billed are in excess of WIP. However, we note that the staff draft of FRS 102 corrects this wording.

***Liabilities and equity***

The proposals provide some clarity on the accounting for financial liabilities extinguished (in full or in part) by equity. However, we would like to see specific guidance for transactions with creditors that are related (as defined in 22.8B (a) and (b)) as we come across these transactions on a regular basis.

We would also welcome clarification that equity issued in accordance with the original terms of the financial liability does not result in gains or losses being recognised in other comprehensive income.

In our view, the new example of a written option that fails the 'fixed-for-fixed' criteria need not mention measurement and could be confusing.

If measurement is retained in the example, we would request clarification that the derivative classification is due to the underlying variable of the share price. This will avoid any misinterpretation that variability linked to earnings is categorically a derivative which may be inconsistent with the definition of a derivative.

We say 'may' as there is a lack of clarity whether returns linked to earnings fall within the exclusion in the definition of a derivative for non-financial variables specific to a party to the contract. This point can be pivotal in determining whether fair value measurement of financial instruments with such returns would conflict with the Regulations.

We would also prefer to see more common examples of instruments that fail the 'fixed-for-fixed' criteria, such as loan notes that convert to equity instruments based on the share price at the time of the conversion, or based on an exchange rate at the time of conversion.

***Other comments and points of note***

Our other comments on the proposals are set out below.

| **Section** | **Comment** |
|---|---|
| Section 9 | 9.9 now requires subsidiaries that are not material to be excluded from consolidation because the wording of this paragraph begins "A subsidiary shall be excluded…". This would prevent such subsidiaries from taking reduced disclosure exemptions or the subsidiary company audit exemption permitted by Companies Act 2006 S479A. We assume the intention was to permit immaterial subsidiaries to be excluded from consolidation rather than require it. We suggest removing the (c) and inserting "A subsidiary may be excluded from consolidation if its inclusion is not material….". |
| Sections 11 and 12 | 11.2(b) & 12.2(b) – We would ask the FRC to consider restricting the grandfathering of IAS 39 recognition and measurement to entities that choose to apply IAS 39 before IFRS 9 becomes effective.<br>11.41(b) – It would be helpful to clarify that cash is excluded from this disclosure.<br>11.42 – As disclosures are encouraged based on the significance of the risks |

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| | arising from financial instruments, we consider cross reference to the risk disclosures in 34.19 to 34.30 (rather than 34.19 to 34.33) would be sufficient. |
| Section 13 | 13.22(d) – We would ask the FRC to clarify why a reconciliation of impairment losses is considered necessary for inventory and note this is not required under IFRS or under FRS 102 for impairments of other assets. |
| Section 14 | 14.11 – Although rare, there may be circumstances where mandating the classification of investments in associates as 'fixed assets' conflicts with the law. For example, when an investor has 'significant influence' to protect their investment, but their intention is not to hold the investment for use on a continuing basis. It is unclear why the classification of investments in associates has been as mandated when the classification of investments in subsidiaries and joint ventures is based on application of the law. |
| Section 16 | We would welcome guidance on the accounting for transfers between investment property and inventory. |
| Section 17 | 17.6 – We agree with the inclusion of a practical expedient for replaced parts available to preparers of IFRS financial statements. However, the wording; *"it may be estimated using the current cost of the replacement part as a proxy for the original cost of the replaced part"* could result in the replacement cost being used as the cost of the replaced part without adjustment. If this was an unintended consequence, the wording could be amended to that in IAS 16; *"it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed".* |
| Section 22 | Appendix – The introductory wording needs updating to refer to paragraph 22.3 as the Appendix now includes the example on classification of an instrument as a liability or equity |
| Section 26 | 26.1B – It is unclear whether the reference to unidentifiable goods or services is only intended to scope in the requirements for government-mandated plans (by cross-reference) or whether the intention is to extend the provisions applicable to government-mandated plans to other share-based payments with unidentifiable goods or services that have been (or will be) received by the entity. There could be inconsistent application without clarification on this point. |
| Section 33 | 33.7A – We welcome the introduction of a practical solution to avoid duplication of information on directors' rewards for their services. However, we note the proposals will result in inconsistencies between entities that have key management personnel other than directors and those that do not. This is due to the differences between the UK Regulatory disclosures and the definition of 'compensation' in FRS 102, that includes items such as national insurance and share-based payments. There may be other differences for non-UK entities that apply FRS 102. A reconciliation between legal or regulatory disclosures and total 'compensation' could resolve this, and need only be one-line containing; 'other compensation to key management personnel'. |
| Section 34 | 34.14 – Requires clarification that a payment contingent on quality or efficiency requirements; "does not *in itself* prevent its classification as basic" to avoid this being incorrectly applied to returns that vary in amount (rather than timing) as a result of quality or efficiency measures.<br><br>34.37 – As, we believe, has previously been identified by PRAG, this paragraph states that the Fund Account of a retirement benefit scheme includes a classification of 'transfers to and from other plans'. This is not |

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| | consistent with The Pensions SORP (paragraph 3.7.2) which recommends that transfers are reported within 'Payments to and on account of leavers' on the face of the Fund Account with further analysis in the notes to the financial statements. We understand that common industry practice is to present transfers in the Fund Account as per the SORP and would request FRS 102 be amended to remove the inconsistency. |
| FRS 105 | We consider the glossary definition of a micro-entity should be updated in the light of the widening of the scope of the micro-entities regime to both LLPs and qualifying partnerships through the application of SI 2016/575. Furthermore, we would encourage the FRC to expand the scope of FRS 105 to include those entities or businesses such as sole traders and partnerships that both meet the size criteria and choose to apply the recognition and measurement principles of FRS 105 |

We are pleased to see the following proposals, which address many of the comments in our 'Feedback on FRS 102'.

| Section | Comment |
|---|---|
| Section 9 | 9.9C – Exclusion of immaterial subsidiaries from consolidated financial statements, provided (as noted above) this exclusion is an option rather than a requirement.<br><br>9.33A – Clarification on entities owned by a trust which will assist in the accounting for these arrangements. |
| Section 15 | 15.16 – Clarification that the requirements for transactions between a venturer and joint venture apply only in consolidated financial statements. |
| Section 23 | 23.16 – Wording amended for consistency with 23.25. |
| Section 22 | 22.8 – Exclusions to permit measurement of equity instruments at nominal value when merger relief or reconstruction relief applies. |
| Section 29 | 29.11A – Incorporation of the clarification statement on the application of 'manner of recovery' to the recognition of deferred tax on assets and liabilities acquired in a business combination. |

As noted in our 'Feedback on FRS 102', we would have liked to see further clarifications on the classification of website development costs, the accounting for inflation-linked lease payments, recognition of revenue for contingent fee arrangements, contingent consideration in a business combination that is linked to continuing service, elements of the accounting for employee benefits, and whether investments in debt instruments of subsidiaries, associates or joint ventures are within the scope of Section 11.

**Question 7**

**FRED 67 includes transitional provisions (see paragraph 1.19). Do you agree with these proposed transitional provisions? If not, why not? Have you identified any additional transitional provisions that you consider would be necessary or beneficial? Please provide details and the reasons why.**

We agree with the transitional provisions.

***Question 8***

***Following a change in legislation the FRC is now required to complete a Business Impact Target assessment. A provisional assessment for these proposals is set out in the Consultation stage impact assessment within this FRED.***

***The overall impact of the proposals is expected to be a reduction in the costs of compliance. In relation to the Consultation stage impact assessment, do you have any comments on the costs or benefits identified? Please provide evidence to support your views of the quantifiable costs or benefits of these proposals.***

A number of the proposals provide clarity in several areas which will make application of FRS 102 easier and more efficient, and provide the benefit of greater comparability.

We also welcome a number of the practical expedients and have included suggestions in our responses above to provide even more clarity to enhance the benefits.

We have no further comments on the costs or benefits.