Financial Reporting Council

March 2013

Feedback Statement

FRED 46 Application of Financial Reporting Requirements
FRED 47 Reduced Disclosure Framework
FRED 48 The Financial Reporting Standard applicable in the UK and Republic of Ireland

The FRC is responsible for promoting high quality corporate governance and reporting to foster investment. We set the UK Corporate Governance and Stewardship Codes as well as UK standards for accounting, auditing and actuarial work. We represent UK interests in international standard-setting. We also monitor and take action to promote the quality of corporate reporting and auditing. We operate independent disciplinary arrangements for accountants and actuaries; and oversee the regulatory activities of the accountancy and actuarial professional bodies.

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Contents

1 Introduction

1.1 In January 2012 the Accounting Standards Board (ASB) of Financial Reporting Council (FRC) issued Financial Reporting Exposure Drafts (FREDs) 46 to 48 setting out its revised proposals for financial reporting in the United Kingdom and Republic of Ireland:

- FRED 46 *Application of Financial Reporting Requirements* (Draft FRS 100);
- FRED 47 *Reduced Disclosure Framework* (Draft FRS 101); and
- FRED 48 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (Draft FRS 102).

1.2 The comment deadline was 30 April 2012, giving respondents three months to provide their feedback. During the comment period FRC staff hosted and attended a number of outreach events to raise awareness of the proposals, hear feedback and encourage responses. These included large events held in London, Edinburgh and Dublin, meetings with sector representatives, meetings with representatives from accounting firms and other engagements.

1.3 In October 2012 the FRC issued an Exposure Draft of a proposed Amendment to FRED 48 relating to Section 28 *Employee Benefits* and Section 34 *Specialised Activities*; the comment deadline was 3 December 2012.

1.4 The purpose of this feedback statement is to:

(a) summarise the comments received in relation to the FREDs; and

(b) explain how the comments received have been taken into account in finalising FRS 100, FRS 101 and FRS 102.

2 Comments received

2.1 The FRC received 111 comment letters. A number of respondents sent separate comment letters to the two documents whilst two respondents addressed both FREDs 46 to 48 and the insurance discussion paper in their letters. Therefore 17 letters were received in response to the insurance discussion paper (*Insurance Accounting – Mind the UK GAAP*) and 96 letters were received in response to FREDs 46 to 48. Not all respondents commented on every aspect of the FREDs.

2.2 The 96 comment letters received in response to FREDs 46 to 48 were from the following stakeholder groups:

Table 1: Respondents by category

Category	**No. of respondents**
Preparers:	
Public benefit entities	13
IFRS / US GAAP preparers	10
Other	8
	31
Accountants:	
Top 6 firms	7
From 7 to 50	8
From 50 to 100	1
	16
Accounting bodies	9
Representative bodies of preparers	28
Users	2
Regulators and government bodies	2
Individuals and other	8
Total	**96**

3 Financial reporting framework

3.1 FREDs 46 to 48 posed nine questions. The responses are summarised below. References to individual comments letters, which are available on the FRC website, are a number with the prefix CL (eg CL1).

Question 1 – Objective

The ASB is setting out the proposals in this revised FRED following a prolonged period of consultation. The ASB considers that the proposals in FREDs 46 to FRED 48 achieve its project objective:

> To enable users of accounts to receive high-quality, understandable financial reporting proportionate to the size and complexity of the entity and users' information needs.
>
> Do you agree?

Table 2: Respondents views on the objective and whether the proposals meet it

	No. of respondents	Percentage
Agreed	22	23%
Agreed, subject to suggested improvements	26	27%
Disagreed	7	7%
Other	3	3%
Total respondents	58	
Did not comment	38	40%
	96	**100%**

3.2 Respondents identified detailed queries on the accounting for certain transactions or events, rather than fundamental issues. As a result in considering their responses to the question of whether the proposals meet the FRC's overall objective, a number of respondents have broadly agreed, subject to the particular detailed amendments they suggest.

3.3 Considering together those that agreed or broadly agreed, there was overwhelming support, with more than 80% (48/58) of those commenting on the matter being in agreement.

3.4 Those disagreeing, or raising other comments include:

(a) ACCA[1] (CL40), which did not agree with the move away from using public accountability as a differentiator for the financial reporting framework, preferring instead stay much closer to the IFRS for SMEs, both in terms of scope and accounting requirements.

(b) Comments relating to particular sectors, such as:

- Friends of the Elderly (CL39) which felt the changes necessary to the PBE requirements were such that the proposals do not yet meet the objective;
- Investment Management Association (CL45) which felt that the use of the Companies Act formats was not suitable for investment funds; and

[1] Association of Chartered Certified Accountants.

- Universities Superannuation Scheme (CL48) which considered that pension funds should not be regarded as financial institutions, because if they are, it would result in inappropriate disclosures being required.

(c) London Finance & Investment Group plc (CL85) and Western Selection plc (CL86) considered the objective too open to interpretation and preferred the alternative view[2].

(d) BDO (CL87) considered that the proposals create too many different accounting regimes and would prefer amendments only to specific areas of current UK accounting standards that are considered deficient.

3.5 The responses to the alternative view are considered in Section 7, but there was significant support for the thrust of the proposals.

FRC response

3.6 The Accounting Council advised the FRC that the objective in developing FRS 100, FRS 101 and FRS 102 should be 'to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users' information needs'.

3.7 The Accounting Council reconsidered the issues raised in relation to individual sectors and made a number of changes prior to advising the FRC to issue FRS 102.

FRED 46 *Application of Financial Reporting Requirements*

3.8 There was general support for the revised reporting framework, in particular the elimination of the concept of 'public accountability' and the decision not to mandate the extension of EU-adopted IFRS beyond the requirements of the IAS Regulation.

3.9 Respondents supported the approach of retaining selected SORPs.

Future of the FRSSE

3.10 In the Explanation accompanying the FREDs, the ASB noted that it proposed to retain the FRSSE, in light of the EC proposals to revise the Accounting Directives, which include a maximum harmonisation disclosure regime for small companies. However, the ASB noted that until agreement is reached in Europe on the Accounting Directives it would be premature to consult in any detail on a revised FRSSE. It did note that a revised FRSSE should be effective from the same date as the proposed Directive, and that any revision would take into account consistency with FRS 102, as well as any necessary legal changes.

3.11 The ASB did not ask any questions about the FRSSE, but promised a consultation on the options for its revision once changes to the Directives are clear.

3.12 Nevertheless a number of respondents requested certainty over the FRSSE's future, and noted that it would be useful if a revised FRSSE could be effective from the same date as FRS 102. There are also some calls for small companies to effectively apply FRS 102 with reduced disclosures, which would streamline the overall financial reporting framework further.

3.13 However, the FRC cannot usefully consult on the future of the FRSSE until the legal framework for small company reporting is clearer.

[2] Both of these respondents are connected to the member of the Accounting Council dissenting from the Accounting Council's advice to the FRC to issue FRS 102.

4 Reduced disclosure framework

FRED 47 *Reduced Disclosure Framework*

4.1 Respondents almost universally welcomed the reduced disclosure framework, encouraging its introduction as soon as possible. They considered that it would enable them to apply a consistent accounting platform in their subsidiary and group accounts without subjecting their subsidiaries to burdensome and costly disclosure requirements that are not appropriate for such entities.

4.2 A number of detailed drafting points were also raised by respondents, including a concern expressed by water companies about disclosure exemptions for intermediate consolidated accounts, as well as issues such as the definition of a financial institution, and the extension of the disclosure exemptions from IFRS 7 *Financial Instruments: Disclosures* and IFRS 13 *Fair Value Measurement* to financial institutions.

Question 2 – Disclosures for financial institutions

The ASB has decided to seek views on whether:

As proposed in FRED 47

> A qualifying entity that is a financial institution should not be exempt from any of the disclosure requirements in either IFRS 7 or IFRS 13; or

Alternatively

> A qualifying entity that is a financial institution should be exempt in its individual accounts from all of IFRS 7 except for paragraphs 6, 7, 9(b), 16, 27A, 31, 33, 36, 37, 38, 39, 40 and 41 and from paragraphs 92-99 of IFRS 13 (all disclosure requirements except the disclosure objectives).

Which alternative do you prefer and why?

Table 3: Respondents views on the disclosures for qualifying entities that are financial institutions

	No. of respondents	Percentage
Prefer alternative 1 – no exemptions allowed	17	18%
Prefer alternative 2 – allow exemptions	16	16%
Other	1	1%
Total respondents	34	
Did not respond	62	65%
	96	**100%**

4.3 Overall, the views from respondents on this question were divided. Some held the view that financial institutions that were applying the reduced disclosure regime should apply IFRS 7 in full. The main arguments for this approach were that:

- it was simpler to apply IFRS 7 in full;
- financial institutions are of such significance that there should be no exemptions; and

- this approach would be easier to maintain for the FRC when the IASB makes amendments to IFRS 7.

4.4 Two thirds of preparers and their representatives favoured the alternative approach to provide minimum financial instruments disclosures.

4.5 A few respondents (including a financial institution representative group) recommended that subsidiaries of financial institutions should be exempt from IFRS 7 in its entirety. This approach would create an inconsistency with FRS 102 where a subsidiary of a financial institution (applying FRS 102) would be required to provide additional disclosures but a subsidiary that applies FRS 101 would be exempt from IFRS 7. Some noted that the existing exemptions in FRS 29 (IFRS 7)[3] *Financial Instruments: Disclosures* should be retained.

FRC response

4.6 The Accounting Council advised the FRC that there should be no exemptions from IFRS 7 for financial institutions. This is simple to apply and ensure that financial institutions provide appropriate disclosures about their financial instruments.

[3] Entities not applying FRS 26 (IAS 39) *Financial Instruments: Recognition and Measurement* are exempt from the requirements in FRS 29. 90% subsidiaries and parent companies that are not banks or insurance companies are exempt from FRS 29, even when applying FRS 26.

5 FRED 48 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*

5.1 FRS 102, set out in draft in FRED 48, will apply to those entities that are not required to apply EU-adopted IFRS, nor those applying the FRSSE. As a result FRS 102 applies to medium and large private companies and other entities. It includes financial institutions, listed single entities and entities with listed debt.

5.2 In addition to the questions asked in the FRED and the more significant themes emerging from respondents' comments, the FRC received many other comments on FRED 48, all of which have been considered in finalising FRS 102.

Question 3 – Cross references to EU-adopted IFRS

Do you agree with the proposed scope for the areas cross-referenced to EU-adopted IFRS as set out in section 1 of FRED 48? If not, please state what changes you prefer and why.

Table 4: Respondents views on cross-references to EU-adopted IFRS

	No. of respondents	**Percentage**
Agreed	22	23%
Agreed but concerned with IAS 34	13	14%
Disagreed	3	3%
Other	3	3%
Total respondents	41	
Did not respond	55	57%
	96	**100%**

5.3 For entities whose ordinary shares or potential ordinary shares are publicly traded, or who are in the process of issuing shares in a public market, FRED 48 requires application of IAS 33 *Earnings per Share*, IAS 34 *Interim Financial Reporting* and IFRS 8 *Operating Segments*. It also requires entities choosing to provide such information to do so in accordance with the relevant IFRS. In addition, an entity with insurance contracts shall apply IFRS 4 *Insurance Contracts*. All references are to IFRS as adopted in the EU.

5.4 Over 85% (35/41) of respondents commenting agreed with this proposal. A number of respondents highlighted a potential problem with the scope of the requirement to apply IAS 34 in that it might extend the requirement to prepare interim reports beyond those set by the relevant regulators.

5.5 Those disagreeing, or providing other comments, were concerned with two main areas:

(a) that the application of IFRS 4 was not suitable for all or some insurers applying UK accounting standards. This will be addressed as part of the consideration of the responses to the insurance discussion paper; and

(b) that the requirement to apply IFRS 8 when providing *any* segmental information might be counter-productive, because they might be seen as too onerous. In addition, there were some calls for a specific commercial sensitivity exemption when applying IFRS 8.

FRC response

5.6 The Accounting Council advised the FRC:

(a) to revise the ASB Statement Half-yearly Financial Reports, rather than requiring application of IAS 34 by those entities preparing interim reports;

(b) to develop and issue a new accounting standard FRS 103 *Insurance Contracts*, rather than requiring entities with insurance contracts to apply IFRS 4; and

(c) to retain the cross-references to IAS 33 and IFRS 8, but notes that where a disaggregation of information is provided that does not meet the definition of segment information in IFRS 8, it should not be described as segment information.

Question 4 – Definition of a financial institution

Do you agree with the definition of a financial institution? If not, please provide your reasons and suggest how the definition might be improved.

Table 5: Respondents views on the definition of a financial institution

	No. of respondents	Percentage
Agreed	30	31%
Disagreed	13	14%
Other	1	1%
Total respondents	44	
Did not respond	52	54%
	96	**100%**

5.7 Respondents broadly agreed with the definition of a financial institution. However, there were a large number of comments on the definition; most notably, whether pension schemes should be included in the definition.

5.8 A number of respondents stated that there was a need for an overarching principle for a financial institution. Some felt a list of entities that were caught by the definition was clear but this approach could result in some entities with similar activities to a financial institution being missed, for example, broker-dealers, and further there would be no basis on which to include any new types of financial institution within the scope without amending the standard.

5.9 Other points that were made included requesting clarification on whether the definition applies to financial institution groups or individual entities.

FRC response

5.10 The Accounting Council reconsidered the definition of a financial institution. It advised the FRC that:

(a) broker-dealers should be included in the list of entities that are financial institutions;

(b) an additional 'catch-all' item be added to the definition as follows "any other entity whose principal activity is to generate wealth or manage risk through financial instruments. This is intended to cover entities that have business activities similar to those listed above but are not specifically included in the list above. A parent entity whose sole activity is to hold investments in other group entities is not a financial institution."; and

(c) retirement benefit plans do fall within the definition of a financial institution. However, as there is a separate sub-section of FRS 102 addressing the financial reporting for retirement benefit plans, the disclosures about financial instruments that are relevant to retirement benefit plans should be included there; retirement benefit plans should not be required to provide the financial institutions disclosures.

5.11 In addition the Accounting Council advised the FRC that the definition of a financial institution applies at an entity level. However, where a group that is not a financial institution has financial institution subsidiaries, and that activity is material to the group as a whole, the disclosures must also be provided in the group financial statements relating to the activity of the financial institution subsidiary.

Question 5 – Specialised activities: Agriculture and service concessions

In relation to the proposals for specialist activities, the ASB would welcome views on:

(a) Whether and, if so, why the proposals for agriculture activities are considered unduly arduous? What alternatives should be proposed?

(b) Whether the proposals for service concession arrangements are sufficient to meet the needs of preparers?

Table 6: Respondents views in relation to specialised activities

	No. of respondents	Percentage
Agriculture		
Agreed	14	15%
Disagreed	11	11%
Total respondents	25	
Did not respond	71	74%
	96	**100%**
Service concession arrangements		
Agreed	5	5%
Disagreed	24	25%
Total respondents	29	
Did not respond	67	70%
	96	**100%**

Agriculture

5.12 Only about a quarter of respondents addressed this question, and of those, just over half believed the requirements in FRS 102 for accounting for biological assets are unduly arduous.

5.13 Those respondents who did not think the proposals for agriculture were unduly arduous were generally of the view that FRS 102 already includes an exemption from fair value measurement where it would involve undue cost or effort, which should address those cases where there are measurement difficulties.

5.14 Those respondents who do not agree with the proposals believed that there would be excessive costs involved in valuing certain biological assets, but also that the information obtained as a result will not be any more useful than the cost based information already available. These respondents note that agricultural businesses in the UK tend to be managed using cost-based financial information.

5.15 A number of respondents suggested that an option to account for biological assets based on historical cost should be included in FRS 102.

FRC response

5.16 The Accounting Council reconsidered the accounting requirements for biological assets and agricultural produce. It advised the FRC that entities engaged in agricultural activities should be permitted an accounting policy choice for their biological assets, between the cost model and fair value model set out in the IFRS for SMEs.

5.17 As both of these models require agricultural produce to be measured at fair value, the Accounting Council further advises that for those entities choosing the cost model for biological assets there should also be a choice to measure agricultural produce at cost.

Service concessions

5.18 Fewer than a third of respondents commented on the requirements in relation to service concession arrangements, but of those that did, most were in favour of improving the guidance in this area.

5.19 Respondents identified that:

(a) there was insufficient guidance for grantors, and entities within the scope of FRS 102 are likely to be grantors of service concession arrangements;

(b) operators of service concession arrangements would be unable to apply the requirements without reference to IFRIC 12 *Service Concession Arrangements*, and some of the key elements of that interpretation should be brought into FRS 102.

FRC response

5.20 The Accounting Council agreed with respondents that the requirements for operators should be expanded, by reference to IFRIC 12, and advised the FRC accordingly.

5.21 The Accounting Council also agreed that requirements should be set out for grantors. As a result the FRC issued an Exposure Draft amending FRED 48 by including requirements for grantors of service concessions (see Section 8).

Question 6 – Retirement benefit plans

The ASB is requesting comment on the proposals for the financial statements of retirement benefit plans, including:

(a) Do you consider that the proposals provide sufficient guidance?

(b) Do you agree with the proposed disclosures about the liability to pay pension benefits?

Table 7: Respondents views on the financial statements of retirement benefit plans

	No. of respondents	**Percentage**
Sufficient guidance provided		
Agreed	10	10%
Disagreed	17	18%
Total respondents	27	
Did not respond	69	72%
	96	**100%**
Proposed disclosure of liability to pay pensions		
Agreed	13	14%
Disagreed	14	15%
Other	1	1%
Total respondents	28	
Did not respond	68	70%
	96	**100%**

5.22 Over two thirds of respondents did not address this question, but those that did were of clearly mixed views. It was also noted that more than half of those responding to this question considered that pension funds should not be included in the definition of a financial institution (see question 4 above).

5.23 Specific concerns about the proposals for retirement benefits plans were that:

(a) not all of the IFRS 7 disclosures might be relevant for all retirement benefit plans;

(b) non-financial disclosures should not be included in the financial statements, but if were required, would be better provided in management commentary; and

(c) listed bonds held by pension plans should be measured at fair value, rather than amortised cost (this also applies to other entities not just pension plans).

5.24 In relation to the disclosure of the liability to pay pensions, concerns included:

(a) the disclosure should be in the Trustee's report;

(b) the costs of compliance could outweigh the benefits;

(c) information on the liability was already available to those that are interested; and

(d) clarification was required on the valuation methodology and how the employer's covenant might be factored in.

FRC response

5.25 As noted above, the Accounting Council advised the FRC that retirement benefit plans are financial institutions but those disclosures for financial institutions that are relevant to retirement benefit plans have now been incorporated into the sub-section on financial reporting by retirement benefit plans.

5.26 The Accounting Council agreed with respondents that a ‘fair value option’ should be provided so that entities may designate certain financial assets and liabilities and measure them at fair value through profit or loss.

5.27 Following the feedback, the Accounting Council decided that information on the liability to pay pensions should not be recognised in the financial statements, but presented alongside the financial statements, as is currently the case.

Question 7 – Related party disclosures

Do you consider that the related party disclosure requirements in Section 33 of FRED 48 are sufficient to meet the needs of preparers and users?

Table 8: Respondents views on whether FRED 48 contains sufficient related party disclosures

	No. of respondents	Percentage
Agreed	39	41%
Disagreed	6	6%
Other	2	2%
Total respondents	47	
Did not respond	49	51%
	96	**100%**

5.28 There was very high support for the proposals on related party disclosures. In some cases, only on the basis that company law permits non-disclosure of intra-group transactions and therefore accounting standards should not extend this.

5.29 Those disagreeing believed that the disclosure of intra-group transactions is important to the understanding of the financial results of subsidiaries for third parties such as suppliers. Some respondents noted that if the review of the Accounting Directives removes the exemption from disclosure of intra-group transactions, amendments will be required.

FRC response

5.30 The Accounting Council advised the FRC to retain the company law exemption within FRS 102.

Public benefit entities

5.31 Although there were no specific questions directly relating to public benefit entities (PBEs), a number of PBEs and other entities responded and commented on the way the proposals would affect such entities.

Restrictions and performance conditions

5.32 The most common comment was that the definitions of 'restrictions' and 'performance conditions' were not suitable for application, predominantly, by charities; specifically the reference to not having to return the resources to the donor if they are not used for the purpose for which they were intended.

FRC response

5.33 The Accounting Council advised the FRC that these definitions have been amended to focus more on any service delivery aspect of entitlement to the resources rather than whether the resources have to be repaid or not.

Boundary between grants and donations

5.34 Another recurrent comment was how to make the distinction between a grant and a donation, which may be important now that there are two models, the performance model and the accruals model, for accounting for grants, one of which is consistent with the accounting requirements for donations.

FRC response

5.35 The Accounting Council notes that applying its guidelines for amending the IFRS for SMEs results in the accrual model only being available for government grants. There is then no need to distinguish between other grants and donations.

Concessionary loans

5.36 Some respondents asked for the option to measure concessionary loans at face value to be extended to non-PBEs within a PBE group.

FRC response

5.37 The Accounting Council reconsidered this issue. The Accounting Council advised the FRC that the same accounting may be applied by other wholly-owned entities in a PBE group, to eliminate the need to restate concessionary loans on consolidation.

Taxation

5.38 Draft FRS 102 proposed a 'timing differences plus' approach to accounting for deferred tax. This was designed as a UK specific solution, making use of the timing differences approach that is familiar from FRS 19 *Deferred tax*, but updating it to achieve an accounting result more consistent with IAS 12*Income Tax*, for example by requiring deferred tax to be recognised in relation to revaluations.

5.39 No specific questions were asked on tax, but some respondents have requested that discounting of deferred tax liabilities be permitted. They argue that this is consistent with the principles for recognising liabilities.

5.40 In addition, some concerns have been raised relating to the required disclosures, whether they are consistent with the timing difference approach and whether the additional disclosure on expected differences between the current tax charge and the standard rate of tax for the next three years provides useful information to users at a reasonable cost.

FRC response

5.41 The Accounting Council considered the issue of discounting deferred tax balances, and advised the FRC that, consistently with its principles, FRS 102 should not depart from an IFRS-based solution on this point and advises that discounting of deferred tax balances should not be permitted.

5.42 The Accounting Council reviewed the disclosure requirements for deferred tax balances and made a number of amendments in order to make the disclosures more relevant to users.

Financial instruments

5.43 There were a large number of comments made on accounting for financial instruments. Most respondents took the view that the additional disclosures for financial institutions were a proportionate solution and there seemed to be broad agreement on the content of those disclosures.

FRC response

5.44 The Accounting Council considered the detailed comments made carefully, and made a number of improvements to FRS 102, whilst retaining the principle that it is intended to be simplified version of financial instruments accounting when compared with IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments*.

6 Effective date

6.1 FREDs 46 to 48 proposed an effective date of accounting periods beginning on or after 1 January 2015. It was also proposed that early adoption should be limited to those periods beginning after the issue of the standards, and that PBEs cannot apply the standards until a relevant SORP is also available.

Question 8

Do you agree with the effective date? If not, what alternative date would you prefer and why?

Table 9: Respondents views on the effective date

	No. of respondents	Percentage
Agreed	50	52%
Disagreed	9	9%
Other	2	2%
Total respondents	61	
Did not respond	35	37%
	96	**100%**

6.2 More than 80% (50/61) of those responding to this question agreed with the proposed effective date of 1 January 2015.

6.3 Those disagreeing with an effective date of 1 January 2015 suggested a number of alternatives, both before and after 1 January 2015.

FRC response

6.4 The Accounting Council advised the FRC that the new standards should have an effective date of accounting periods beginning on or after 1 January 2015.

Early application

6.5 A number of comments were made about early adoption. Those commenting generally thought that too much restriction had been placed on the ability to early adopt the new standards, and that any restriction should be limited to periods ending after the issuance of the standards. There were also some calls for FRS 101 to be available as soon as possible in order that entities might be able to apply it for December 2012 year ends.

6.6 Some respondents questioned the restriction on early adoption for PBEs.

FRC response

6.7 The Accounting Council reconsidered the early application provisions for all the standards individually. It advised the FRC that:

(a) FRS 101 should permit early application, without restriction;

(b) FRS 102 should permit early application for accounting periods ending on or after 31 December 2012, and that for those entities within the scope of a SORP this is providing there is no conflict with the requirements of a current SORP, or legal requirements for the preparation of financial statements.

7 Alternative view

7.1 One Accounting Standards Board member set out an alternative view to the proposals set out in FRED 48.

Question 9

Do you support the alternative view, or any individual aspect of it?

Table 10: Respondents views on the alternative view

	No. of respondents	Percentage
Agreed	4	4%
Agreed in part	9	10%
Disagreed	31	32%
Total respondents	44	
Did not respond	52	54%
	96	**100%**

7.2 The majority of respondents commenting on the alternative view did not agree with it. Some of those doing so provided detailed reasons to support their view, but one theme coming through was that the simplifications proposed might be more suitable to small companies (eligible to apply the FRSSE) than those that are within the scope of FRS 102.

7.3 Those respondents that agreed in part with the alternative view generally felt that unnecessary complexity and clutter should be avoided in financial statements. Different people may, of course, take different views of the boundary between necessary and unnecessary complexity. A significant number of respondents regard any complexity inherent within FRS 102 as necessary to lead to appropriate accounting for transactions that are themselves complex.

FRC response

7.4 The Accounting Council considered the views of respondents. One member of the Accounting Council dissented from the Accounting Council's Advice to the FRC to issue FRS 102.

8 Amendment to FRED 48: Section 28 *Employee Benefits* and Section 34 *Specialised Activities*

8.1 In relation to the Exposure Draft of a proposed amendment to FRED 48, concerning defined benefit multi-employer pension plans and grantors of service concession arrangements, the FRC received 49 comment letters, from the following stakeholder groups:

Table 11: Respondents by category

Category	**No. of respondents**
Preparers:	
Public benefit entities	27
Other	1
	28
Accountants:	
Top 6 firms	6
Other	4
	10
Accounting bodies	5
Representative bodies of preparers	2
Regulators and government bodies	2
Individuals and other	2
Total	**49**

Question 1

Do you agree with the proposed additions to Section 28 *Employee Benefits*? If not, why not?

Table 12: Respondents views on the proposed amendments to Section 28

	No. of respondents	**Percentage**
Agreed	20	41%
Disagreed	29[4]	59%
Total respondents	49	
Did not respond	–	–
	49	**100%**

8.2 Those agreeing with the proposed amendment to recognise a liability to make payments to fund a past service deficit on defined benefit multi-employer pension plans, accounted for as if they were defined contribution plans, consider that a liability exists that can be measured with sufficient reliability.

4 Of these, 18 responses are from different branches of the same organisation.

8.3 Those disagreeing with the proposed amendment cited potential concerns about the implications of recognising the liability in the financial statements.

FRC response

8.4 The Accounting Council considered the responses and the concerns of those disagreeing with the proposal, but it considers that a liability exists and its recognition provides useful information to users, and therefore advised the FRC that the liability should be recognised in the financial statements.

Question 2

Do you agree with the proposed amendment to Section 34 *Specialised Activities* setting out the accounting requirements for grantors of service concession arrangements? If not, why not?

Table 13: Respondents views on the proposed amendment to Section 34

	No. of respondents	**Percentage**
Agreed	13	27%
Disagreed	5	10%
Total respondents	18	
Did not respond	31	63%
	49	**100%**

8.5 The majority of those responding in relation to grantor accounting for service concession arrangements agreed with the proposal. However, a number of the respondents noted that the accounting requirements for 'user-pays' arrangements could be considered further.

FRC response

8.6 The Accounting Council considered that there was sufficient support for the proposed amendments and advised the FRC that the amendment should be included in FRS 102. However, in response to the comments about 'user-pays' arrangements it advised the FRC that further research should be carried out on the most appropriate accounting for user-pays arrangements, but that this should not delay the issue of FRS 102.

Further copies can be obtained from:

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