ICAEW REPRESENTATION 193/16

Consultation: Triennial review of UK and Ireland accounting standards – Approach to changes in IFRS

ICAEW welcomes the opportunity to comment on the consultation document *Triennial review of UK and Ireland accounting standards – Approach to changes in IFRS*, published by the FRC on 27 September 2016, a copy of which is available from this link.

This response of 20 December 2016 has been prepared on behalf of ICAEW by the Financial Reporting Faculty. Recognised internationally as a leading authority on financial reporting, the Faculty, through its Financial Reporting Committee, is responsible for formulating ICAEW policy on financial reporting issues and makes submissions to standard setters and other external bodies on behalf of ICAEW. The Faculty provides an extensive range of services to its members including providing practical assistance with common financial reporting problems.

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MAJOR POINTS

We agree with the overall strategy of keeping UK GAAP broadly aligned with IFRS where doing so is appropriate for the population of entities applying UK GAAP

1. UK GAAP is, in effect, a simplified version of IFRS. Any changes to IFRS should therefore be carefully considered and incorporated into UK GAAP where appropriate. Having said that, we recognise that doing so is sometimes easier said than done, given the complex nature of some recent IFRSs and the markedly different populations of reporting entities applying the two sets of standards.

2. When considering how to incorporate changes in IFRS into UK GAAP, the FRC should seek to ensure that any changes are proportionate to those entities applying it. The goal should be to create simplified versions of new and revised international standards that are relatively easy to understand but which nonetheless result in broadly the same accounting outcomes as the full standard. However, it must be accepted that this will not always be possible and that sometimes alternative solutions not aligned with IFRS will be more appropriate.

3. It is also important to get the balance right between continuous improvement and stability. With this in mind, we believe that changes to FRS 102 should only be made if they are clearly an improvement when compared to existing requirements.

We agree with the revised principles, but do not feel that the proposals in the consultation document fully reflect them

4. We agree that new and revised IFRSs should be considered and assessed against a clear set of principles on a case-by-case basis to determine whether any consequential changes to UK GAAP are necessary.

5. We are supportive of the proposed changes to the principles against which prospective changes to UK GAAP will be assessed. However, we are unclear how the proposed approach set out in the consultation document fully aligns with these revised principles. In a number of instances, it appears that stability is being undermined in order to align UK GAAP with IFRS, even though the proposed changes would bring very limited – if any – improvements for users when compared to current practice.

Now is not the time to fully incorporate IFRSs 9, 15 and 16 into UK GAAP

6. We believe that the first triennial review should be primarily about making incremental improvements and clarifications to FRS 102. The proposed approach focuses too much on how and when major changes to IFRS should be incorporated into UK GAAP. In our view, much of the work on assimilating these new standards into UK GAAP could be left until the next triennial review. At this current stage, we believe it would be sufficient for the FRC to simply provide stakeholders with an indication of the overall direction of travel in relation to the major new IFRSs – and, most importantly, to ask for their reactions – before embarking on a more thorough consultation during the build up to the next triennial review. In our opinion, it is too early to start drafting detailed requirements.

7. We believe that now is not the time to begin working on incorporating IFRSs 9, 15 and 16 into UK GAAP. It would be better to learn lessons from the IFRS adopters who will apply these standards in 2018 and 2019 before crafting abridged or amended versions for use by UK GAAP adopters. If this approach is not adopted, it is likely that what is drafted now will have to be rewritten later, as unforeseen issues emerge over time.

Avoid change for change's sake

8. While some of the proposals – such as incorporating major new IFRSs on financial instruments, revenue from contracts with customers and leases – are likely to make significant improvements to financial reporting in the UK in the long-term, others – such as making small amendments to the control model to align it with IFRS 10 and revising the definition of fair value to align it with IFRS 13 – do not appear to bring benefits commensurate with the costs of making the changes.

9. Moreover, the FRC's attempts in the consultation document to justify why certain changes to IFRS will or will not be incorporated into UK GAAP lack a robust explanation of why such changes are needed. We would expect to see a more detailed analysis of why a particular conclusion has been reached by reference to the revised principles, including – where necessary – an assessment of the likely costs and benefits.

10. It should be remembered that most entities applying UK GAAP will not be familiar with applying IFRSs. This should be taken into account when weighing up improvements against stability. Moreover, the FRC must remember that FRS 102's recognition and measurement requirements are applicable to large and small entities alike. A solution is surely not proportionate if the many smaller entities applying the standard would struggle to apply it in practice.

Due process must be followed

11. We recommend that the FRC develops detailed discussion papers setting out the pros and cons of a range of ways in which significant changes to IFRS could potentially be incorporated into FRS 102. It seems insufficient, for example, to simply ask for 'suggestions' as part of this consultation before moving straight to writing an exposure draft of a revised leasing section, especially as (a) it is likely that at this stage many smaller companies and their advisers will not yet be engaged closely with this debate and (b) a rigorous cost: benefit exercise cannot be undertaken. In our response to question 9 below, we suggest how outreach to constituents on this topic might be improved.

Brexit may allow improvements to the small companies regime

12. As explained in our response to question 7 below, the UK's departure from the European Union may provide an opportunity to review unsatisfactory aspects of the small and micro companies accounting regimes derived from EU legislation. For example, in a post-Brexit world, consideration could be given to whether it would be appropriate to revert to a disclosure only model for share-based payments for small entities. While we believe that there should be a very high hurdle for introducing recognition and measurement exemptions for small entities, this is one instance where we could potentially offer support for such a move.

FRS 102 software

13. We understand that the implementation of FRS 102 to date has been hampered by problems with the availability and quality of accounting software. The FRC should, in our view, engage closely with the industry to ensure that the next raft of changes to FRS 102 does not present companies and their advisers with similar problems.

RESPONSES TO SPECIFIC QUESTIONS

Question 1

The FRC has reviewed its principles for developing succinct financial reporting standards for the UK and Republic of Ireland. As a result, limited changes have been made to the principles, to emphasise the need to balance improvement with stability and the need for proportionate solutions (see paragraph 1.11). Do you agree with the principles? If not, why not?

14. UK GAAP is, in effect, a simplified version of IFRS. Any changes to IFRS should therefore be carefully considered and incorporated into UK GAAP where appropriate. Having said that, we recognise that doing so is sometimes easier said than done, given the complex nature of some recent IFRSs and the markedly different populations of reporting entities applying the two sets of standards.

15. When considering how to incorporate changes in IFRS into UK GAAP, the FRC should seek to ensure that any changes are proportionate to those entities applying it. The goal should be to create simplified versions of new and revised international standards that are relatively easy to understand but which nonetheless result in broadly the same accounting outcomes as the full standard. However, it must be accepted that this will not always be possible and that sometimes alternative solutions not aligned with IFRS will be more appropriate.

16. It is also important to get the balance right between continuous improvement and stability. With this in mind, we believe that changes to FRS 102 should only be made if they are clearly an improvement when compared to existing requirements.

17. We therefore agree that new and revised IFRSs should be considered and assessed against a clear set of principles on a case-by-case basis to determine whether any consequential changes to UK GAAP are necessary.

18. We are supportive of the proposed changes to these principles. In particular, as noted above, we strongly agree that there is a need to balance the quest for continuous improvement with the need for stability. We also agree that solutions need to be not only practical but also proportionate to the entities applying them.

19. However, we are unclear how the proposed approach to reflecting changes in IFRS within UK GAAP set out in the consultation document fully aligns with these revised principles. In a number of instances, it appears that stability is being undermined in order to align UK GAAP with IFRS, even though the proposed changes would bring very limited – if any – improvements for users when compared to current practice.

20. While some of the proposals – such as incorporating major new IFRSs on financial instruments, revenue from contracts with customers and leases – are likely to make significant improvements to financial reporting in the UK in the long-term, others – such as making small amendments to the control model to align it with IFRS 10 and revising the definition of fair value to align it with IFRS 13 – do not appear to bring benefits commensurate with the costs of making the changes.

21. Moreover, the consultation document's attempts to justify why certain changes to IFRS will or will not be incorporated into UK GAAP lack a robust explanation of why such changes are needed. We would expect to see a more detailed analysis of why a particular conclusion has been reached by reference to the revised principles, including – where necessary – an assessment of the likely costs and benefits.

22. It should also be remembered that most entities applying UK GAAP will not be familiar with applying IFRSs. This should be taken into account when weighing up improvements against stability. Moreover, the FRC must remember that FRS 102's recognition and measurement requirements are applicable to large and small entities alike. A solution is surely not proportionate if the many smaller entities applying the standard would struggle to apply it in practice.

23. Some argue that FRS 102 should track changes in the IFRS for SMEs rather than changes in IFRS as the UK standard was originally developed from the IASB's standard for small and medium-sized entities. We have, however, limited sympathy for these views. While changes in the IFRS for SMEs should be considered when updating FRS 102, they should by no means be the only source of potential improvements to a UK standard that is used by not only small and medium-sized entities but also by many large and complex businesses.

Question 2

Significant changes in IFRS have been considered against the FRC's principles for developing succinct financial reporting standards for the UK and Republic of Ireland; see Section 3 *Changes in IFRS – Detailed analysis*. Do you agree with the proposals for updating FRS 102 as result of changes in IFRS as part of this triennial review? If not, please provide alternative suggestions.

The overall approach to this triennial review

24. We believe that the first triennial review should be primarily about making incremental improvements and clarifications to FRS 102. The proposed approach focuses too much on how and when major changes to IFRS should be incorporated into UK GAAP. In our view, much of the work on assimilating these new standards into UK GAAP could be left until the next triennial review. At this current stage, we believe it would be sufficient for the FRC to simply provide stakeholders with an indication of the overall direction of travel in relation to the major new IFRSs – and, most importantly, to ask for their reactions – before embarking on a more thorough consultation during the build up to the next triennial review.

25. The presumption in the consultation document is that there will be a two phase approach to this triennial review. Based on our detailed comments below, we question whether this is really appropriate. While it is appropriate at this stage to gather constituents' high level thoughts on how and when to incorporate major changes in IFRS into UK GAAP, we believe that the detailed drafting should only follow after sufficient thought has been given at a more conceptual level on how to proceed and preferably once there is some experience of applying the new IFRSs. We believe that this consultation process should result in final proposals being issued as part of the triennial review beginning in 2019.

Our thoughts on incorporating IFRSs 9, 15 and 16 into UK GAAP

26. We believe that major new IFRSs on financial instruments, revenue from contracts with customers and leases should be assimilated into UK GAAP in some form at some stage. These are fundamental changes that must be reflected if UK standards are to incorporate IFRS-based solutions that reflect the latest thinking. However, we have some concerns about the proposed approach to making these changes and the timing proposed.

27. The consultation paper concludes that IFRS 15 should be considered fully as part of the triennial review beginning in 2019 as introducing the new five-step process to recognising and measuring revenue will be a significant change in approach. Moreover, it – quite rightly – suggests that many UK GAAP adopters will want to take advantage of the experience of others in preparing for a smooth transition.

28. The same could – of course – be said of the changes that will be brought about by IFRS 16. In fact, the new leasing standard is likely to have a more profound impact on the reported numbers of a wider range of UK businesses. Despite this, the FRC seem eager to push ahead with making changes to incorporate this standard as part of the current triennial review, albeit with an effective date of 1 January 2022. We believe that it would be better to hold back for now and monitor the implementation of IFRS 16 before seeking to determine the best way of incorporating it into UK GAAP.

29. In our view, there is no immediate rush to create a UK version of IFRS 16. The FRC could, as part of this triennial review, simply confirm its intention of bringing all leases on-balance sheet before beginning the process of incorporating the standard into UK GAAP at a later date. Entities will not need a final version of the standard in 2017 or 2018 if they are working towards an effective date of 2022. Provided the FRC has given some guidance on the general direction of travel, entities could begin working on issues such as identifying the population of leases that are likely to be within the scope of the standard and establishing appropriate discount rates for them, long before the final version of the standard is published. Experience to date suggests that these and other practical issues – rather than simply working on the numbers under the 'right of use' model – are often the more challenging aspects of applying the new approach in practice. Many entities – particularly smaller entities – would probably support inclusion in the updated section on leasing of practical guidance on addressing these and other implementation issues.

30. The arguments are less clear in relation to the application of IFRS 9's impairment model. It too will bring in potentially significant changes and – again – entities would benefit from the lessons learned from those IFRS adopters currently working towards adopting the standard from 2018. But what is different here is the context. These changes were introduced in the wake of the financial crisis of 2008 and some would say that it would be inappropriate to allow certain banks and building societies several additional years to implement them just because they apply UK GAAP rather IFRS.

31. Some have therefore suggested that the FRC push ahead and incorporate IFRS 9's expected loss model into UK GAAP sooner rather than later for such entities. While we have some sympathy for these views, we realise that doing so is unlikely to be easy. The option of drafting an abridged version of the expected loss model for inclusion in FRS 102 as part of this triennial review sounds unfeasible as doing so is likely to be both time consuming and challenging. At first glance, the alternative of simply cross referring banks and building societies into the equivalent requirements of IFRS 9 may sound more appealing. But in reality doing so is likely to come with its own complications, not least because of the fact that the asset categories in FRS 102 do not match up with those in IFRS 9. We therefore think that, on balance, it would – again – be better to wait to and monitor implementation before seeking to determine the best way of incorporating the expected loss model into UK GAAP. In the longer term, we suggest that the FRC works closely with banks, building societies and regulators to develop a solution that is both practical and proportionate to the population of entities applying FRS 102.

32. To summarise, we believe that now is not the time to begin working on incorporating IFRSs 9, 15 and 16 into UK GAAP. It would be better to learn lessons from the IFRS adopters who will apply these standards in 2018 and 2019 before crafting abridged or amended versions for use by UK GAAP adopters. If this approach is not adopted, it is likely that what is drafted now will have to be rewritten later, as unforeseen issues emerge over time. The FRC could usefully provide an indication of the intended direction of travel at this stage and begin discussing possible solutions so businesses have some certainty about what lies ahead. In our opinion, it is too early to start drafting the detailed requirements.

Our thoughts on other changes that the FRC is proposing to incorporate into UK GAAP

33. We do not agree that changes should be made to FRS 102 to reflect IFRS 10's control model or to incorporate IFRS 13's definition of fair value. We appreciate that there is an argument for making these changes as they better align UK GAAP with IFRS. But at the same time there seems to be little real benefit in making changes that would have very little effect on the vast majority of entities and would result in very limited – if any – improvements to financial reporting. Moreover, given that these are complex areas, it is unlikely that it will be possible to produce an abridged version of these requirements that will ensure that the outcome is the same as under the full international standards in all instances.

34. In particular, we believe that many entities would struggle to understand the subtle difference between the existing and proposed new definitions of fair value. Even those entities that do appreciate the difference are likely to find it difficult to incorporate credit risk into their assessment of fair value, especially if IFRS 13's more detailed guidance was not replicated in FRS 102.

35. We strongly believe that these changes are unnecessary as they will cause confusion and perhaps some consternation among preparers who may spend disproportionate amounts of time considering the revised definitions to work out whether or not they really make a difference to the financial reporting of the business. Moreover, these changes will undermine the stability that many are looking for after the disruption of transitioning to a new financial reporting regime. There is little appetite for more change in this area at this juncture.

36. If the FRC were to conclude that changes should be made to FRS 102 to reflect IFRS 10's control model or to incorporate IFRS 13's definition of fair value, they would need to ensure that appropriate transitional arrangements were introduced in order to reduce the burden on preparers. It may, for example, be appropriate for any such changes to be applicable on a prospective basis.

37. We note the proposals to make changes to FRS 102's revenue recognition requirements to bring in some elements of IFRS 15's five-step approach to recognition and measurement in order to provide additional guidance on how revenue can be allocated to the component parts of a single transaction. The rationale for doing so is that this will minimise consolidation adjustments and lead to a more cost-effective accounts production process for these entities and groups. It does, however, seem rather odd to effectively bring in just one of the five stages as part of this review while deferring consideration of the other four until a later date.

38. We do not support making such a change to FRS 102 ahead of proper consultation on how the standard might be updated in light of IFRS 15. The allocation requirements of IFRS 15 are acknowledged to be very rules-based, and there should at least be proper discussion of whether to take a more principles-based approach to allocation in FRS 102. Also, as there is no meaningful guidance in FRS 102 on identifying the component parts of a revenue transaction (IFRS 15 calls them 'performance obligations'), there is likely still to be diversity in relation to the components identified. Adding a few words on allocation into FRS 102 is, therefore, unlikely to result in consistent application.

39. Moreover, we do not believe that there is anything in FRS 102 as it stands that would stop entities allocating revenue to performance obligations in a manner similar to that required by IFRS 15. The argument about reducing consolidation adjustments etc. therefore seems to be something of a moot point as – if our understanding is correct – a parent entity could simply require its subsidiaries to report on that basis regardless of whether or not a change was made to FRS 102. IFRS-reporting groups could also ensure consistency across the group by requiring their subsidiaries to apply FRS 101 in their individual financial statements. We therefore recommend leaving the standard as it is for now and considering the whole issue of implementing IFRS 15 as part of the triennial review beginning in 2019.

Our thoughts on changes that the FRC is not proposing to incorporate into UK GAAP

40. We agree that there is no need to make any changes to UK GAAP to reflect IFRS 3's approach to business combinations or to incorporate the additional disclosures about interests in other entities included in IFRS 12.

41. While the FRC has recommended updating UK GAAP to reflect some elements of IFRS 11, they do not seem to have considered some other – perhaps more important – elements of the standard. In particular, there is a mismatch between the terminology used in IFRS 11 and Section 15 of FRS 102. For example, the former standard refers to joint arrangements, joint operations and joint ventures while the latter refers to joint ventures, jointly controlled operations and jointly controlled assets. We believe that there are some fundamental differences between the two standards and that it may be beneficial to consult on if and how they can be better aligned.

Question 3

In relation to the impairment of financial assets, the FRC proposes to amend FRS 102 in order to incorporate an expected loss model. Paragraph 3.13 sets out three options for how this may be achieved, with the FRC favouring option (b). Which option would you prefer, and why?

Do you have any suggestions for how the simplified approach to impairment losses for trade receivables, contract assets and lease receivables in IFRS 9 might be developed into a suitable model for entities applying FRS 102 (other than financial institutions, or a sub-set such as banks and building societies)?

42. As noted in paragraph 31 above, we feel that it would be inappropriate to incorporate something similar to IFRS 9's detailed impairment requirements into FRS 102 at this stage. We also have concerns about an approach that would simply refer banks and building societies directly to the impairment requirements of IFRS 9.

43. We accept that, in the longer term, it may be preferable to move all entities onto an expected loss model. But for now we do not know what the implications of doing so will be as few – if any – companies have actually applied IFRS 9 in practice. We have heard different views on just how challenging it will be to apply the expected loss model in practice and on what impact it is likely to have on the level of impairments that are recognised. We therefore believe that a decision about whether or not the expected loss model should be incorporated into the standard should only be made after it has been applied by IFRS adopters. Only then will we be able to make an informed assessment about whether the benefits of moving to the expected loss model outweigh the costs.

44. We therefore believe that all entities should continue to use the incurred loss model for now. An assessment of if, how, when and to which entities the expected loss model should apply should be made as part of the triennial review beginning in 2019.

Question 4

Presently, in paragraph 11.2 (and paragraph 12.2), FRS 102 permits an accounting policy choice in relation to financial instruments, allowing an entity to choose the recognition and measurement requirements of FRS 102, IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments* (and elements of IAS 39 as amended by IFRS 9). The FRC proposes to retain the option to choose IAS 39 until the requirements for the impairment of financial assets have been amended in FRS 102 (ie for all accounting periods beginning before 1 January 2022). From 1 January 2022 the FRC proposes that the available options will be the requirements of FRS 102 or IFRS 9. Do you agree? If not, why not?

45. We agree with the proposed approach. FRS 102 will need to be amended to make it clear that the option to apply IAS 39 is still available once it is withdrawn from EU-adopted IFRS. Care should, however, be taken to ensure that such an amendment will not result in any change for entities currently applying the recognition and measurement requirements of IAS 39 under FRS 102. This could be achieved by referencing a version of IAS 39 as endorsed by the EU at a particular date.

46. We agree that the option to apply IAS 39 should only be retained until such time that FRS 102's requirements for impairment of financial assets have been amended. Appropriate transitional arrangements will, however, have to be introduced to limit the impact on entities that have previously taken advantage of this option.

Question 5

Do you have any suggestions for how the requirements of IFRS 16 *Leases* might be developed into a suitable model for entities applying FRS 102? In particular, do you have any suggestions relating to the application of the short-term lease exemption or the exemption for leases when the value of the underlying asset is low?

47. As noted above, we do not believe that this is the appropriate time to begin working on incorporating IFRS 16 into UK GAAP. An abridged version of the standard should only be developed once lessons have been learnt from the IFRS adopters who apply the standard from 2019.

48. We recommend that the FRC develops a detailed discussion paper setting out the pros and cons of a range of ways in which these significant changes could potentially be incorporated into FRS 102. It seems insufficient, for example, to simply ask for 'suggestions' as part of this consultation before moving straight to writing an exposure draft of a revised leasing section. We believe that more consultation is needed before that stage is reached. In time, a similar discussion paper should be issued on whether to, and if so, how best to incorporate IFRS 15 into FRS 102. The same is also true when it comes to if and how IFRS 9's impairment model should ultimately be applied to non-financial sector entities.

49. There are – of course – a number of ways in which IFRS 16 could potentially be incorporated into FRS 102. At one extreme, the standard could be incorporated pretty much wholesale with no changes being made to its underlying principles and concepts. This may, however, not be considered to be a proportionate solution. At the other end of the spectrum, minimal changes could be introduced to ensure that all major leases are recognised on-balance sheet while keeping much of the existing guidance intact. This could be done, for example, by requiring all but short-term and low-value leases to be accounted for using the existing finance lease requirements. This would, perhaps, be one way of balancing improvements and up-to-date thinking with stability. However, at this stage, we have no strong preference for either of these or any other solutions.

50. Careful consideration would need to be given to how the exemptions in relation to short-term and low-value leases are applied. Again, it is probably too early to say what is the best way forward, as many IFRS adopters are still at a very early stage of implementing the standard and best practice is yet to emerge. We would, however, anticipate that a UK version of the standard would ultimately incorporate these exemptions in some way.

Question 6

The FRC proposes to makes changes to FRS 102 to incorporate the control model of IFRS 10 *Consolidated Financial Statements*. Company law specifies when consolidated financial statements are prepared, and any changes would supplement these existing requirements by providing further guidance on what is meant by 'control'. Are you aware of any legal barriers to incorporating the control model of IFRS 10 alongside the existing legal requirements?

In most situations, any changes to the definition of control in FRS 102 will have no impact in practice. However, in other cases entities may be consolidated for the first time or cease to be consolidated. Do you have any information about how significant the practical impact may be and the circumstances in which it might occur?

51. As noted above, we do not support making changes to FRS 102 to reflect IFRS 10's control model as in our view it is not consistent with the amended principle to balance improvement with stability. Having said that, we are not aware of any legal barriers to doing so.

52. We agree that making these changes will have very little – if any – impact in practice. We acknowledge that some entities would, perhaps, appreciate more guidance on issues such as de facto control and the exercisability of options and that in some instances this could result in different conclusions being reached about whether or not control exists. But in the vast majority of cases, the proposed changes are unlikely to mean that entities that have previously been unconsolidated would need to be consolidated for the first time and vice versa.

Question 7

Do you have any comments on the cost-effectiveness of the requirements for share-based payments, currently set out in Section 26 *Share-based Payment* of FRS 102? If you consider that alternative requirements would be more cost-effective, please provide details of how you would adapt the current requirements whilst still providing useful information to users.

53. There is a diversity of views on the cost-effectiveness of FRS 102's requirements in relation to share-based payments. Some argue that these requirements are costly and time consuming and produce information that is of little benefit to anyone. But some disagree on the basis that the employee is clearly receiving some form of benefit from the employer so some form of cost needs to be recognised in the employer's books to reflect this. They argue that a cost would be booked if the entity had rewarded the employee in some other way and being small or unlisted doesn't make this argument less relevant.

54. Those with the former view argue that it is particularly hard to apply the standard to smaller private companies and that they should have an exemption just as they did under the FRSSE. While we have some sympathy for this view, we recognise that going back to the FRSSE's disclosure only approach is not currently an option as additional disclosures cannot be mandated under the recent EU Accounting Directive. So, on balance, we believe that at this stage there is no real case for introducing such an exemption for small entities.

55. However, in a post-Brexit world, consideration should be given to whether it would be appropriate to revert to a disclosure- only model for small entities. While we believe that there should be a very high hurdle for introducing recognition and measurement exemptions for small entities, this is one instance where we could potentially offer support for such a move.

56. The whole small and micro-entities regime could – and perhaps should – be revisited when the UK leaves the EU.

Question 8

Do you agree with the proposed effective dates for the amendments arising from the triennial review, with incremental improvements and clarifications effective from 1 January 2019 and more fundamental changes effective from 1 January 2022?

57. We agree that the incremental improvements and clarifications that will be proposed in the FRC's forthcoming exposure draft should be effective from 1 January 2019. We also agree that it would appear reasonable for any more fundamental changes to be effective from 1 January 2022. Having said that, we do not believe that the FRC should follow rigidly the rule that changes should only be introduced once every three years. It is, after all, a rule that has already been broken on a number of occasions.

58. For example, it may take longer than expected to garner the lessons learnt by listed companies implementing IFRS 16 or drafting the UK version of the leasing standard may take longer than anticipated due to unforeseen challenges. But in such circumstances, if 2022 is missed, it would seem unnecessary to wait until 2025 to implement a change that everyone agrees will significantly improve financial reporting. An effective date of 2022 should therefore be aimed for but kept under review and a little more flexibility allowed.

Question 9

Do you have any other comments on the approach to keeping FRS 102 up-to-date as part of the triennial review?

Please note that there is no need to repeat comments about potential areas for improvements to FRS 102 that have already been submitted to ukfrsreview@frc.org.uk as these comments have already been noted and will be considered. Detailed comments about potential improvements should continue to be submitted to ukfrsrevew@frc.org.uk. Those comments received by 31 October 2016 will be taken into account in developing formal proposals for changes. Comments received after this date will be taken into account in the later stages of the review, if they cannot be considered sooner.

59. We believe that the FRC should make every effort to engage as many stakeholders as possible in this consultation process. We recommend that as much outreach is undertaken as possible, so that views are obtained not only from large and medium-sized firms but also from smaller practitioners who may not yet be closely engaged with this debate. Some kind of roadshow may help. ICAEW stands ready to help facilitate this, perhaps through our district societies.

60. There are a number of other ways that outreach could by undertaken. For example, a series of short surveys could be shared on the FRC's website, with a link being emailed to everyone on the FRC's distribution list, or the FRC's Financial Reporting Lab could engage in some kind of detailed research. Employing these and other imaginative approaches to outreach may help garner feedback from a wider than usual range of constituents.

Question 10

The FRC will be preparing consultation stage impact assessments to accompany the FREDs arising from the triennial review. At this stage do you have any comments on the costs and benefits likely to arise from the outline proposals in this Consultation Document that will help inform those impact assessments? Please provide evidence to support your views of any quantifiable costs or benefits.

61. It is very hard to quantify costs and benefits at this stage given that so few UK entities have implemented IFRSs 9, 15 or 16. However, as we have already suggested, we believe that the costs of implementing the proposed changes to reflect IFRS 10's control model and IFRS 13's definition of fair value will outweigh the benefits. It is for this reason that we do not support these proposed changes.