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Our ref: 01/JCC/ FRED 57: Draft
amendments to FRS 101
Reduced Disclosure
Framework (2014/15
Cycle)

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Dear Mei

FRED 57: Draft amendments to FRS 101 *Reduced Disclosure Framework (2014/15 Cycle)*

We are pleased to have the opportunity to comment on the Exposure Draft "FRED 57: Draft amendments to FRS 101 Reduced Disclosure Framework (2014/15 Cycle)".

BDO LLP is supportive of the proposed amendments to FRS 101 set out in FRED 57. In particular, we are pleased to see the proposal to exempt first time adopters of FRS 101 from the requirement to present a statement of financial position as at the date of transition. We believe that this exemption should be made available without unnecessary delay.

Our detailed responses to the questions raised in the Exposure Draft are set out in the attached appendix. If you wish to discuss any of the points further, please do not hesitate to contact me.

Yours sincerely

Nicole Kissun
Partner
For and on behalf of BDO LLP



Appendix: Response to the questions raised in the Exposure Draft

Question 1 (IAS 24 *Related Party Disclosures*): See the proposed amendment to paragraph 8(j) of FRS 101 and paragraphs 13 to 15 of the Accounting Council's Advice. Do you agree with the proposed amendment to permit an exemption against the requirement of paragraph 18A of IAS 24 *Related Party Disclosures* ('IAS 24')? If not, why not?

Yes, we agree with the proposed exemption for the requirement of paragraph 18A of IAS 24. However, we also recommend that paragraph 8(j) should, for clarity, also include reference to paragraph 17A of IAS 24 as follows: "8(j) The requirements of paragraphs 17, 17A and 18A of IAS 24 *Related Party Disclosures*".

In addition to this amendment, we suggest that FRS 101 should also include clarification that paragraph 18 of IAS 24 does not require the disclosure of key management personnel compensation that would otherwise have been disclosed under paragraph 17.

Question 2 (IFRS 1 *First-time Adoption of International Financial Reporting Standards*): See the proposed insertion of paragraph 7A into FRS 101 and paragraphs 22 to 23 of the Accounting Council's Advice. Do you agree with the proposed amendment to permit an exemption from the requirement of paragraphs 6 and 21 of IFRS 1 *First-time Adoption of International Financial Reporting Standards* to present an opening statement of financial position on transition? If not, why not?

Yes, we agree with the proposal to exempt first-time adopters of FRS 101 from the requirement to present an opening statement of financial position. This will provide welcome relief to companies thinking of using the Reduced Disclosure Framework. However, we have two specific comments on the proposed changes:

- Draft paragraph 7A(a) refers to a requirement to make an explicit and unreserved statement of compliance with IFRS however, IFRS 1.3 does not include such a requirement. Consequently, we believe that the following wording may be more appropriate: "(a) the reference to 'an explicit and unreserved statement of compliance with IFRS' set out in paragraph 3 should be replaced with 'an explicit and unreserved statement of compliance with this *Financial Reporting Standard 101 Reduced Disclosure Framework* (see paragraph 10 of this FRS)'; and
- In order to remove any conflict with FRS 100 *Application of financial reporting requirements* (FRS 100) we believe that paragraph 11(b) of FRS 100 should also be amended so that it excludes paragraph 6 and 21 of IFRS 1 *First-time adoption of International Financial Reporting Standards*.

Question 3 (IFRS 15 Revenue): See paragraphs 16 to 18 of the Accounting Council's Advice. Do you agree that at this early stage, no exemption should be permitted in FRS 101 from the disclosure requirements of IFRS 15 *Revenue from Contracts with Customers* given that its effective date is not until 1 January 2017, and that for FRS 101 IFRS 15 should be revisited once preparers, users and auditors have had more experience of the required disclosures and are in a better position to assess whether exemptions against all or some of the disclosure requirements of IFRS 15 would be appropriate? If not, why not?

Yes, we agree with the stance taken by the FRC to not yet permit exemptions from the disclosure requirements of IFRS 15 *Revenue from Contracts with Customers*.

Paragraph 17 of the Accounting Council's Advice notes that there is scope for entities to apply judgement in the preparation of disclosures required by IFRS 15. We believe, however, that the disclosure requirements in IFRS 15 will, nonetheless, be more onerous than those required under current IFRSs. Consequently, we recommend that the FRC revisit this matter as soon as the evidence noted in paragraph 18 of the Accounting Council's Advice is available.

Question 4 (IFRS 9 Financial Instruments): See paragraphs 19 to 21 of the Accounting Council's Advice. IFRS 9 *Financial Instruments* amends the requirements of IFRS 7 *Financial Instruments: Disclosures*. Do you agree that no amendments should be made to the existing exemptions permitted in FRS 101 that allow non-financial institutions exemptions against the disclosure requirements of IFRS 7 (and IFRS 13 *Fair Value Measurement*)? If not, why not?

We agree with the stance taken by the FRC to not yet consider any changes to FRS 101 that may be required as a result of the issue of IFRS 9. We recommend, however, that this matter should be revisited as soon as possible following the endorsement of IFRS 9 *Financial Instruments*.

Question 5 (Other comments): Do you have any other comments in relation the proposed amendments?

Although further amendments to FRS 101 have recently been proposed in FRED 60, we believe that the amendments set out in FRED 57 should be finalised and issued as soon as possible to allow early adopters to take advantage of the exemption from presenting the opening statement of financial position on transition.