



Response to FRC Exposure Draft:  
Guidance on the Going Concern Basis of Accounting  
and Reporting on Solvency and Liquidity Risks

25 January 2016

CA House 21 Haymarket Yards Edinburgh EH12 5BH  
enquiries@icas.com +44 (0)131 347 0100 icas.com

Direct: +44 (0)131 347 0252 Email: ahutchinson@icas.com

## INTRODUCTION

ICAS welcomes the opportunity to comment on the FRC's Exposure Draft: Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks.

Our CA qualification is internationally recognised and respected. We are a professional body for over 20,000 members who work in the UK and in more than 100 countries around the world. Our members represent different sizes of accountancy practice, financial services, industry, the investment community and the public sector. Almost two thirds of our working membership work in business, many leading some of the UK's and the world's great companies.

Our Charter requires its committees to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

The ICAS Corporate Reporting Committee has considered the exposure draft and I am pleased to forward their comments.

Any enquiries should be addressed to Amy Hutchinson, Assistant Director, Technical Policy.

## RESPONSE TO THE CONSULTATION QUESTIONS

### Question 1

Do you agree with the scope of the guidance as set out in section 1?

### Question 2

Is the guidance sufficient for the different types of company that fall within its scope?

### Response

We agree with the scope of the guidance as set out in section 1 and believe it is sufficient for the different types of company within its scope. We agree it is appropriate that the guidance sets out the position for companies under the small and micro regimes, as this helps to clarify the extent to which the guidance may be applied to these companies.

### Question 3

Do you agree with the draft guidance on the assessment of solvency and liquidity risk as set out in paragraph 4.1 to 4.6?

### Response

We agree with the draft guidance on the assessment of solvency and liquidity risk – it would be helpful to make clear at the beginning of this section that it relates to the disclosure of principal risks in the strategic report.

### Question 4

Does the draft guidance sufficiently distinguish between the assessment of and reporting on the 'narrow' going concern basis of accounting (section 3) and the broader concept of solvency risk and liquidity risk (section 4)?

### Response

We believe there is a sufficient distinction between the 'narrow' going concern basis of accounting and the broader concept of solvency risk and liquidity risk.

### Question 5

Does the draft guidance adequately highlight the relationships between the concepts (section 2)?

**Response**

The draft guidance adequately highlights the relationships between the concepts in section 2.

**Question 6**

Do you consider that the guidance is sufficiently practical? If not, how might the guidance be improved?

**Response**

We believe that the guidance is sufficiently practical and that sections 5 and 6 on the assessment process and disclosures will be particularly useful as a practical guide. We believe that the inclusion of some practical examples of disclosures, as were provided in the 2009 guidance, would help bring the guidance to life for preparers.