By email to: ukfrs@frc.org.uk

Jenny Carter
Financial Reporting Council
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14th March 2016

Dear Madam

FRED 63 – Draft amendments to FRS 101 Reduced Disclosure Framework (2015/16 cycle)

We welcome the opportunity to comment, on behalf of PricewaterhouseCoopers LLP, on the proposed amendments to FRS 101, 'Reduced Disclosure Framework' (2015/16 cycle). Our responses to the questions asked by the FRC and other comments are given below.

Question 1

The principles for determining whether disclosure exemptions from EU-adopted IFRS should be available in FRS 101 are set out in paragraph 9 of the Accounting Council's Advice. These are relevance, cost considerations and avoiding gold plating.

Qualifying entities have limited external users of the financial statements. These external users are likely to be providers of credit with a greater focus on information that supports the statement of financial position of the qualifying entity, when compared with detailed analysis of performance as required by some of the disclosures in IFRS 15 Revenue from Contracts with Customers. Do you agree?

We agree with the proposal to permit exemptions from certain of IFRS 15's disclosure requirements, subject to the following observation.

It is proposed that FRS 101 will permit qualifying entities to take an exemption from disclosing categories of revenue. Example of such categories may include type of goods or services or geographical regions. We note, however, that the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410, Sch 1, s68) require large companies to disclose the amount of turnover attributable to each class of business and market (geography) where, in the opinion of the directors, these classes or markets are substantially different. This information is therefore required for certain entities.

It would be helpful for the FRC to clarify in Appendix II, 'Note on legal requirements', that large companies, although exempted by FRS 101, are required by law to provide additional revenue information where applicable.

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Question 2

Do you consider that additional refinements could be made to the principles set out in paragraph 9 of the Accounting Council's Advice that, when applied, would help to increase further the cost-effectiveness of FRS 101?

We agree with the principles as set out in paragraph 9 of the Accounting Council's advice and have no further comments in relation to these.

However, with regards to improving FRS 101's cost-effectiveness, we would encourage the FRC to consider the extent of the requirement for shareholder notifications. FRS 101 currently requires that qualifying entities are only eligible to apply the reduced disclosure framework if their shareholders have been notified in writing and they do not object to the use of the exemptions. We understand that parent companies with a diverse and changeable shareholder base have found it somewhat difficult to apply this requirement in practice. This has resulted in companies notifying shareholders in different ways, times and frequency. Having considered this, it appears that the cost and effort of notifying parent company shareholders outweigh the benefits of doing so. We therefore question the value of this requirement.

In light of the cost constraint principle we would encourage the FRC to consider providing parent companies, who wish to benefit from the reduced disclosure framework, an automatic exemption from having to notify shareholders where the financial statements are published alongside the group accounts. We acknowledge that the FRC would need to consult on such a proposal, but we have not identified any adverse consequences and would view the use of the disclosure exemptions in the same way as the long-standing exemption from the need to present a parent company profit and loss account, which does not need shareholder approval. We would also consider this course of action to be consistent with the FRC's and government's approach to de-regulation.

Question 3

Do you agree with the proposed amendments to FRS 101? If not, why not?

IFRS 15 disclosure exemption

We agree with the proposed amendments in relation to IFRS 15, please refer to our response to Question 1 above.

Notes to the financial statements

We agree with the amendments to Appendix II, 'Note on legal requirements' and welcome the insertion, which in our view draws preparers' attention to the legal requirement for the notes to the financial statements to be presented in the order in which the items to which they relate are presented in the primary statements.

Following its recent revision, IAS 1, 'Presentation of financial statements', states that an entity is not required to present the notes to the financial statements in a particular order. An entity might, for example, present more significant notes first, or present linked areas sequentially. We support the flexibility afforded by IAS 1 but accept that if a company was to do this, for example to be in-line with the presentation of the group accounts, then this would not be permitted by law.

It is unfortunate that the legal requirements reduce the ability for companies to tailor their presentation to their circumstances and make the financial statements more readable and relevant to users as allowed by IAS 1. However, we understand that the FRC's hands are somewhat tied by the legal requirements.

Question 4

In relation to the Consultation stage impact assessment do you have any comments on the costs and benefits identified? Please provide evidence to support your views of the quantifiable costs or benefits of these proposals.

We have no specific comments on the cost or benefits that are discussed in the impact assessment, other than our response to Question 2 above.

If you have any questions or would like to discuss any of the points raised in this letter in more detail, please contact Peter Hogarth (0207 213 1654).

Yours faithfully

PricewaterhouseCoopers LLP

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