

11 November 2013

Financial Reporting Council
Aldwych House
71 - 91 Aldwych
London
WC2B 4HN

Our Ref: CPP/M764/G/MT

Dear Sirs

COMMENTS ON FRED 50 Draft FRC Abstract 1

We are a firm of Chartered Accountants based on the Sussex Coast.

Question 1

We act for a number of Residential Management Companies and have been involved with this sector for many years.

We welcomed the guidance published within the Technical Release TECH 03/11 from the joint working party.

We have found that the implementation of the TECH 03/11 added clarity and brought together professionals in this sector in a joint approach for the benefit of the prime end user.

In publishing the Abstract the FRC have rightly looked to resolve the complex issues arising from the Agent / Principal debate. But in doing so the FRC are in turn advocating what is a complex accounting approach.

This would result in two sets of figures; one set to reflect the concept of acting as principal which is compliant with corporate and trust law with another set to adhere to the provisions of the Lease and with land and property legislation. Subject to any other corporate income / expenditure both sets of figures will be based on the same set of records but in looking to serve different masters the two sets will only add confusion for the end user.

The end user is predominantly the tenant / leaseholder. Suppliers to the RMC (as is our experience with the smaller block) will use their own commercial judgment and local knowledge in contrast to any information contained within published accounts.

Compliance with FRED 50 will add costs for the RMC.

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Clearly we will need to justify any increase in costs to our clients. However explaining the underlying rationale which has resulted in such compliance costs will not be straight forward.

As professionals we can debate the rights and wrongs of the application of relevant legislation to this sector and the impact on the accounts. But the majority of the end users will find it difficult to understand the reason for extra costs, questioning the need for reporting certain service charge transactions within the RMC accounts when already reported within detailed service charge accounts; and querying whose benefit the exercise was for.

Question 2

We have no comments to make.

Yours faithfully

A handwritten signature in black ink that reads "Humphrey & Co." in a cursive, slightly stylized font.

Humphrey & Co.
Chartered Accountants | Business and Tax Advisers