Accounting Standards Board Consultation Paper
"Policy Proposal: the Future of UK GAAP" issued August 2009

NOTE: consultation ends 1 February 2010

Background

The Accounting Standards Board ("ASB")'s role is to issue accounting standards to be applied by UK entities. It is recognised for that purpose under the Companies Act 1985.[1] UK entities account in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), as set out in the various standards adopted from time to time by the ASB. However, since 2005 listed groups in the UK have been required to prepare their consolidated group accounts in accordance with International Financial Reporting Standards ("IFRS"), which are issued by the International Accounting Standards Board ("IASB")[2]. In many instances IFRS differs from UK GAAP.

In August 2009 the ASB issued a consultation paper setting out proposals to amend UK GAAP in such a way as to converge it with IFRS to the fullest extent possible, consistent with the needs of UK entities.

Consultation document – timing of the changes

The consultation paper sets out the following steps/timeframe:

- Consultation closes 1 February 2010;
- ASB considers all feedback received as part of the consultation process;
- ASB issues Exposure Draft outlining Board's recommendations;
- New accounting standards adopted on 1 January 2012.

Question 16 in the consultation paper asks: "What are your views on the proposed adoption dates?"

Our comments

We would like to contribute to the consultation process with a request for a later start date for the adoption of the new standard, for the reasons described below. We do not want to be named as participants in the consultation process, but wish to be anonymous.

If the new accounting standards are to apply from 1 January 2012, prior year comparative figures will need to be prepared for the year to 31 December 2011, i.e. comparatives will need to be collected from 1 January 2011. As the proposals are not yet in final form, it is considered that this does not give UK companies adequate time to fully familiarise themselves with the new standards, and understand all the implications of their adoption.

We propose that the "go live" date should be deferred until accounting periods beginning on or after 1 January 2013, assuming that a final position is published by the ASB prior to the end of 2010 i.e. to

[1] For more information see http://www.frc.org.uk/asb/index.cfm

[2] http://www.iasb.org/Home.htm

provide businesses with a full calendar year in which to assess all the implications, prior to starting to collect comparative figures under the new basis.

It needs to be understood that there are many parts of the business which may potentially be affected by a fundamental change in accounting standards, hence giving rise to the need for adequate time once the final proposals are known to enable businesses to properly consider all ramifications. For example, the following areas all might be affected and each would need to be considered by the relevant personnel (and may require assistance from external organisations, depending on the significance of the issue/ internal resource available to the entity);

- Internal systems, including systems for reporting and forecasting may no longer be appropriate for the new standards and may require amending. If so, time is required for design, build and testing of systems.
- To the extent that a choice will be available between applying full IFRS or a streamlined version of IFRS, a full impact assessment may be required in order to make the decision.
- As taxable profits are to a large extent driven by accounting profits, the implications for tax payments will need to be assessed, and possibly assumptions built into cashflow forecasts used to determine the business' funding requirements may need to be revised.
- Treasury related issues will need to be considered once there is a good understanding of what changes will be brought about to the entities' profit & loss account and balance sheet as a result of the revised standards e.g. consideration of the impact on compliance with banking covenants/ other treasury strategies such as interest rate and fx hedging.
- We will need to consider the impact on each individual entity in the holding chain to ensure that no dividend blocks will be generated which could hamper the ability to distribute operating companies' profits up the chain to fund shareholder dividends.

These are just a few of the obvious areas which will need to be considered.