

## **Response from the University of Cambridge to FREDs 46, 47 and 48**

With reservations as noted below, particularly in respect of income recognition, we welcome the proposals set out in FREDs 46, 47 and 48.

Our response to the consultation is limited to areas where we wish to make comment.

***Invitation to comment Q8: Do you agree with the effective date? If not, what alternative date would you prefer and why?***

We agree with the effective date of 1 January 2015.

FRED 46 paragraph 14 imposes some conditions on early application by public benefit entities (PBEs); these conditions leave open the possibility of early application by an individual PBE once the relevant SORP has been published. In the interests of continued consistency in PBE sectors we consider that the FRS should deny the option of early application by all PBEs.

***Invitation to comment Q9: Do you support the alternative view, or any individual aspect of it?***

We do not support the alternative view.

### **Income recognition**

We believe that income recognition requirements for PBEs need further consideration in order to provide a consistent and practicable framework.

We are concerned that the definition of “performance conditions” as presented may prevent much income received by PBEs for restricted purposes being recognised under FRS 102.

We note the Board’s acknowledgement in respect of accounting for grants (see 5.38 of Part Three) that “the solution in FRED 48 is an interim solution until completion of a research project”. The issue is, however, somewhat wider than grant income, given in particular the lack of a clear distinction between grants and donations / non-exchange transactions (also referred to below).

## **Grants (section 24)**

In the interests of clarity, we propose amendments to 24.1 and 24.4 so that they read as follows:

*24.1 This section specifies the accounting for all grants receivable from governments and others. A grant is assistance in the form of a transfer of resources to an entity in return for past or future compliance with specified conditions relating to the operating activities of the entity.*

*24.4 An entity shall either recognise all grants based on the performance model or recognise all grants based on the accrual model.*

## **Non-exchange transactions**

In the interests of clarity as to when a non-exchange transaction is to be dealt with as a grant, we propose the following rewording of PBE34.64:

*Non-exchange transactions include, but are not limited to, donations (of cash, goods, and services) and legacies. A donation receivable which imposes a specified condition relating to the operating activities of the entity is to be treated as a grant in accordance with the requirements of Section 24.*

## **Heritage assets**

We do not see the need for the summary of transactions required by paragraph 34.54(f) to extend back over five years; this suggests that heritage assets are somehow more significant than other transactions entered into by the reporting entity. We consider a two year summary (current and previous periods) adequate, although some reporting entities may wish to go further on a voluntary basis.

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