



Accounting Standards Board

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www.frc.org.uk/asb



Assessing the impact of the Accounting Standards Board proposals for the future of UK and Irish Financial Reporting

REQUEST FOR RESPONSES TO AID DEVELOPMENT OF THE IMPACT ASSESSMENT ON THE PROPOSED UK FINANCIAL REPORTING FRAMEWORK

DEADLINE FOR RESPONSES: 20 AUGUST 2010

The ASB intends to issue a Financial Reporting Exposure Draft (FRED) later in the year, reflecting its proposals for the future of UK GAAP. Full details of the proposals will be contained in the FRED; this request for responses provides an overview of the key proposals and asks some preliminary questions on their impact.

The ASB recognises that without detailed proposals, respondents' comments on the costs and benefits will be approximate and, in preparing the full Impact Assessment using the feedback from this questionnaire, the ASB may follow up individual responses.

The key proposals

The ASB is proposing a three tier system which it believes will maintain and/or increase the quality of financial reporting, whilst being cost-effective in allowing appropriate reductions in requirements for certain entities.

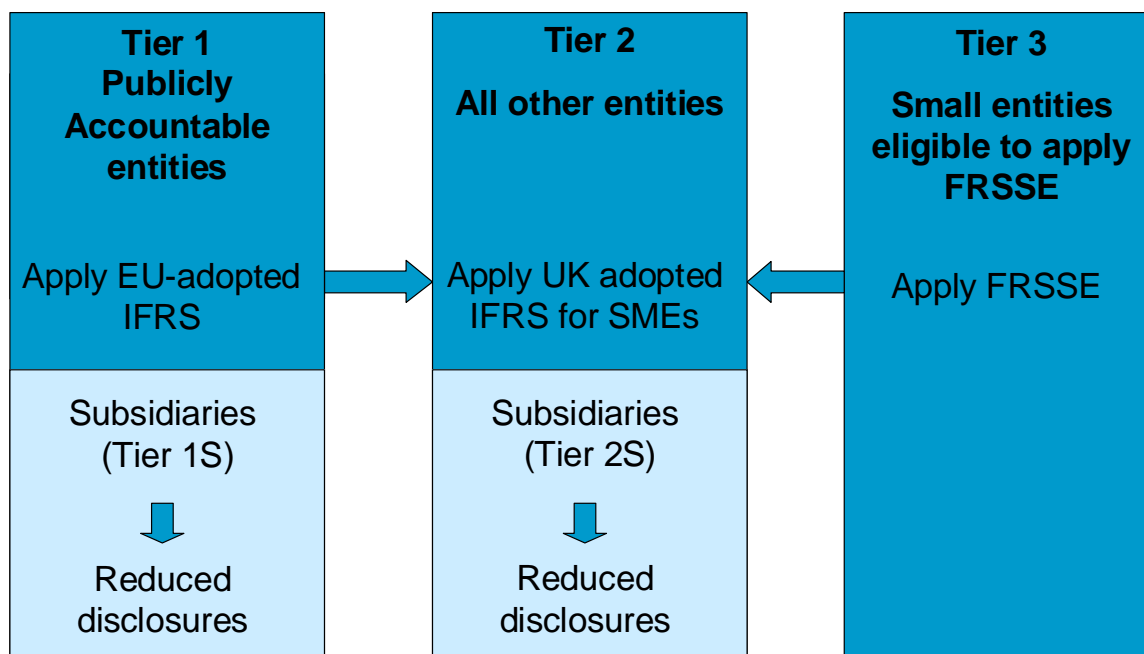
The three tiers are as follows:

	Nature of Entity	Accounting Regime
Tier 1	Entities that have public accountability	EU-adopted IFRS
Tier 2	Entities that do not have public accountability	UK-adopted IFRS for SMEs
Tier 3	Small entities	FRSSE



Under these proposals all entities will have the option to adopt a higher tier voluntarily.

The FRED will also contain proposals to reduce the disclosure requirements for subsidiaries.



The proposed definition of public accountability is:

An entity has public accountability if:

- (a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
- (b) it holds assets in a fiduciary capacity for a broad group of outsiders and/or it is a deposit taking entity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds or investment banks.”



Questions for respondents

1 Do you have any comments on the overall direction of travel for the UK Financial Reporting Framework as described above?

2 What do you think the overall impact of the proposed UK Financial Reporting Framework will be in terms of its likely costs and benefits – quantified where possible?

In framing your answer you might like to consider the following:

- a) the impact on the economy as a whole, efficient functioning of markets and enterprise, fostering investment;
- b) transition to the new framework, noting that for entities currently applying the FRSSE there will effectively be no change;
- c) the impact on groups of the proposed reduced disclosure framework for subsidiaries;
- d) requirements for education and training of account preparers and users, and the impact on their intellectual mobility;
- e) whether the information available to users will be more useful for investment decisions, and by owner-managers in managing their businesses, than the existing framework.

3 What do you think would be the impact if the ASB were to propose increasing the scope of the FRSSE to include larger entities (for example, to include all medium-sized entities, or to use an alternative size criteria)?

4 What do you think the impact of the proposed UK Financial Reporting Framework will be on taxation and distributable profits?

Please send your responses by e-mail to asbcommentletters@frc-asb.org.uk.

Alternatively responses may be sent in hard copy form to:

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Responses should be despatched so as to be received no later than **20 August 2010**. All replies will be treated as on the public record unless confidentiality is requested.

The FRC's policy is to publish on its website all responses to formal consultations issued by the FRC and/or any of its operating bodies unless the respondent explicitly requests otherwise. A standard confidentiality statement in an e-mail message will not be regarded as a request for non-disclosure. We do not edit personal information (such as telephone numbers or e-mail addresses) from submissions; therefore only information that you wish to be published should be submitted.

We aim to publish responses within 10 working days of receipt.

We will publish a summary of the consultation responses, either as part of, or alongside, our final decision.