Triennial review of UK and Ireland accounting standards
Approach to changes in IFRS

Response to invitation to comment

16 December 2016

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

Our ref: Responses/ SC0230 161216

Financial Reporting Council
8th Floor, 125 London Wall, London EC2Y 5AS

Submitted electronically to
ukfrs@frc.org.uk
December 2016

Dear FRC secretariat

Triennial review of UK and Ireland accounting standards
Approach to changes in IFRS

CIPFA supports the various components of the FRC triennial review of FRS 102.

Response to earlier consultation

CIPFA responded briefly to the earlier Invitation to Comment on implementation issues.

In that response, we recommended that the FRC consider whether it would be possible to expand the scope of the SORP mechanism, when applied to FRS 102 in respect of public benefit entity SORPs. For example to provide freedom regarding setting disclosures at PBE SORP level.

Comments on the questions in the Invitation to Comment

CIPFA generally agrees with the common sense and practical proposals in this consultation. Comments on the questions in the Invitation to Comment are attached. No comments are provided for Questions 4-7 which have no special public benefit considerations. Particularly at this stage it is understandable that for-profit reporting needs are central to the process. However, looking forward, we ask that the FRC is mindful of making adaptations to its proposals for the specific needs of the wider not-for-profit sector by adding PBE specific treatments or items where feedback indicates this is justifiable and needed.

I hope this is a helpful contribution to FRC's work in this area. If you have any questions about this response, please contact Steven Cain
(e: steven.cain@cipfa.org, t: +44(0)20 7543 5794).

Yours sincerely

Alison Scott
Head of Standards and Financial Reporting
CIPFA
77 Mansell Street, London E1 8AN
t: +44(0)1604 889451
e: alison.scott@cipfa.org

Question 1

The FRC has reviewed its principles for developing succinct financial reporting standards for the UK and Republic of Ireland. As a result, limited changes have been made to the principles, to emphasise the need to balance improvement with stability and the need for proportionate solutions (see paragraph 1.11). Do you agree with the principles? If not, why not?

CIPFA agrees with the principles and the revisions detailed in paragraph 1.11.

For reasons largely outside the FRC's control, FRS 102 has been subject to more change than was originally expected. This has also necessarily been reflected in dependent documents such as the Charities SORP. Against this background, we welcome the FRC's intention to develop financial reporting standards which balance improvement with stability.

As noted in our response to the earlier Invitation to Comment on FRS 102, we also wonder whether the approach to developing proportionate solutions to disclosure requirements should allow more scope for adaptation through the SORP process. This is not necessarily a matter for consideration in FRS 102 – it should perhaps be pursued through the SORP process documentation.

Question 2

Significant changes in IFRS have been considered against the FRC's principles for developing succinct financial reporting standards for the UK and Republic of Ireland; see Section 3 *Changes in IFRS – Detailed analysis*. Do you agree with the proposals for updating FRS 102 as result of changes in IFRS as part of this triennial review? If not, please provide alternative suggestions.

CIPFA agrees with the proposals for updating FRS 102 as result of changes in IFRS.

Question 3

In relation to the impairment of financial assets, the FRC proposes to amend FRS 102 in order to incorporate an expected loss model. Paragraph 3.13 sets out three options for how this may be achieved, with the FRC favouring option (b). Which option would you prefer, and why?

Do you have any suggestions for how the simplified approach to impairment losses for trade receivables, contract assets and lease receivables in IFRS 9 might be developed into a suitable model for entities applying FRS 102 (other than financial institutions, or a sub-set such as banks and building societies)?

CIPFA supports option (b) for the reasons set out by the FRC.

Question 8 **Do you agree with the proposed effective dates for the amendments arising from the triennial review, with incremental improvements and clarifications effective from 1 January 2019 and more fundamental changes effective from 1 January 2022?**
CIPFA agrees with the proposed effective dates. Based on our experience as SORP secretariat, we would note that this may present challenges for SORP development which need to be carefully managed. We specifically agree with the proposal that the effective date for the amendments arising from Phase 2 of the Triennial Review 2017 should align with the amendments arising from the Triennial Review 2020, which will help maintain the stability for UK and Ireland accounting standards.
Question 9 **Do you have any other comments on the approach to keeping FRS 102 up-to-date as part of the triennial review?**
CIPFA has no further comments which directly impact on this. We note that the FRC has identified that issues with Government Grants cannot be progressed through FRS 102 at this stage. We note that the FRC will participate in any international efforts to move this debate forward, and the FRC will consider adding the issue to its own research agenda. We would encourage this.
Question 10 **The FRC will be preparing consultation stage impact assessments to accompany the FREDs arising from the triennial review. At this stage do you have any comments on the costs and benefits likely to arise from the outline proposals in this Consultation Document that will help inform those impact assessments? Please provide evidence to support your views of any quantifiable costs or benefits.**
CIPFA does not have any comments on costs and benefits at this stage. Paragraph 3.2 of the paper reflects the intention of the FRC to bear in mind the entities that are within the scope of FRS 102. Given which, we recommend that impact assessments should include all significant groups of entities which prepare accounts under FRS 102, notably charities which are not incorporated as companies.