

Dear Sir/Madam

Knox Cropper is a firm of Chartered Accountants specialising in the audit of charities.

As technical partner, I am responding to the invitation to comment on the Draft Update Bulletin 2.

In particular I am responding to Question 1:

**Do you agree with how the amendments to FRS 102 have been reflected in the proposed amendments to the Charities SORP (FRS 102) in draft Update Bulletin 2?**

The amendment to paragraph 10.31 in relation to component accounting is likely to have a significant impact on those charities which have a number of properties which are used for charitable purposes. To date it has not been common practice for charities to apply component accounting to its properties because of the "undue cost or effort" exemption in the existing SORP. In future it will be almost certain that each property will have to be analysed into its component parts, with each component depreciated over its appropriate life, because the effect is likely to be material. By way of comparison, the SORP for Registered Providers of Social Housing makes it clear that component accounting will apply to most properties and it provides detailed guidance on the process.

Consequently, I consider that it would be helpful to include an additional sentence in the paragraph such as the following: "An example of an asset which comprises two or more components is a freehold property". This would make it immediately clear that the change in the wording will have a significant impact for some charities and address the risk that this paragraph may be considered as applying only to unusual assets.

Kind Regards

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