

FRC invites feedback on FRS 102 to inform its future development

# **Response to invitation**

16 November 2016

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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.

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Financial Reporting Council  
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Dear FRC secretariat

### **FRC invites feedback on FRS 102 to inform its future development**

CIPFA is pleased to present a brief comment on FRS 102. CIPFA strongly supports the FRC triennial review of FRS 102 to ensure that any implementation issues arising from FRS 102 are addressed and any alignment issues with IFRS for SMEs and wider IFRS developments are considered.

We note that the main deadline for comments has passed: CIPFA did not initially respond to this consultation, which mainly reflects on the experience of those implementing FRS 102 as preparers. While CIPFA does of course prepare financial statements in accordance with FRS 102 and the Charities SORP, we do not consider that specific issues have arisen from this which were worth bringing to the attention of the FRC.

However, in CIPFA's role as secretariat to the joint SORP making body for the charity sector, we became aware of matters which are relevant to the public benefit entity sector and our 'FRS 102 implementation' work in that capacity.

FRS 102 is primarily framed with a focus on profit seeking entities, based on international sources which in turn focus on profit seeking entities. FRS 102 differs from IFRS as it does of course also include material relating to public benefit entities. This provides a basis around which the public benefit SORP making bodies can develop guidance on the application of FRS 102. It means that the default position is that all provisions of FRS 102 apply, with some specific additional (and very helpful) material on the recognition and measurement of transactions and balances held by public benefit entities.

CIPFA strongly agrees with the principle that accounting measurement and recognition should be standard across UK-Irish GAAP, and that any clarification or restriction of this can be carried out through the SORP mechanism. However, based on our experiences during the development of the Charities SORP, we do wonder if this approach needs adjustment as it is too restrictive in the area of disclosure.

The disclosures in FRS 102 are based either on the IFRS for SMEs, IFRS or other UK GAAP, and reflect a balanced view of user needs with regard primarily to the users of the financial statements of profit seeking entities. The disclosures are not automatically ones which best work for the users of charity accounts, where the reader focus is different.

In some cases the disclosures are simply not applicable to charity affairs. This is not a problem where such matters are not material to the accounts and can be ignored. In practice it becomes problematic when the disclosures are poorly focussed for charity purposes, or not as important as they would be compared to a business context. The SORP making body does have the capacity to require additional disclosures which are more suitable, but cannot substitute charity specific disclosures in place of for-profit

based disclosures. They are wary of proposing charity specific disclosures where they are duplicative, or where they have the effect of significantly increasing the volume of disclosure.

Against this background, we therefore recommend 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. We wonder whether it would, for example be possible to provide specific freedom regarding setting disclosures at PBE SORP level, so that these can differ from the specific requirements of FRS 102, while achieving similar objectives which are appropriate for the users of financial statements in the relevant sector. In our view, this would accord with the FRC's third principle for developing succinct financial reporting standards which seeks to

*balance consistent principles for accounting by all UK and Republic of Ireland entities with proportionate and practical solutions, based on size, complexity, public interest and users' information needs;*

Any variations from a straightforward interpretation of FRS 102 would of course be subject to review by the FRC as part of its SORP approval process.

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](mailto:steven.cain@cipfa.org), t: +44(0)20 7543 5794).

Yours sincerely

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