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28 April 2023

Accounting and Reporting Policy Team
Financial Reporting Council
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By email to: ukfrsperiodicreview@frc.org.uk

Dear Sirs

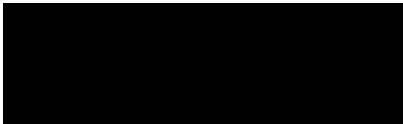
FRED 82 'Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs – Periodic Review'

I would like to thank you for giving us this opportunity to respond to FRED 82, and our comments are set out on the following pages.

Crowe U.K. LLP are the leading audit services provider to the social purpose and non profit sector, and also work closely with a number of umbrella bodies. We have hosted a number of round table discussions regarding the changes proposed in FRED 82 with the sector, and our comments below factor in comments raised in these discussions where relevant.

Should you wish to discuss any of the points raised, please do not hesitate to contact me.

Yours sincerely



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28 April 2023

Response to FRED 82 'Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs – Periodic Review'

Question 1: Disclosure

Do you have any comments on the proposed overall level of disclosure required by FRS 102? Do you believe that users of financial statements prepared under FRS 102 will generally be able to obtain the information they seek? If not, why not?

General comments

We agree in principle with the proposed overall level of disclosure required by FRS 102, however we are cognisant of the disproportionate impact this may have on smaller charities, in particular charitable companies that meet the requirements of a small company or micro-entity under the Companies Act 2006.

Charitable companies preparing accounts under the Charities SORP (FRS 102) that qualify as small companies under the Companies Act 2006 are able to take the exemptions afforded by Section 1A of FRS 102, however they must also comply with the requirements of the Charities SORP (FRS 102) in order to prepare true and fair financial statements. This limits the availability of a number of the exemptions afforded by Section 1A.

Furthermore, small charitable companies that qualify as micro-entities under the Companies Act 2006 are unable to apply FRS 105.

By contrast, non-company charities with an income of less than £250,000 are able to prepare much simpler receipts and payment accounts.

Small charities (i.e. those with income < £500,000) are likely to have limited technical accounting resources, and certain requirements of the revised FRS 102 would pose significant challenges (e.g. right of use assets).

We therefore request that consideration is given for small charitable companies with income below £250,000 to prepare receipts and payments accounts.

Comparative disclosures

Paragraph 3.14 of FRS 102 requires that comparative information in respect of the preceding period is disclosed for all amounts presented in the current period's financial statements, including narrative and descriptive information, unless its exclusion is permitted by FRS 102.

Given the additional disclosure requirements of charities preparing accounts under Charities SORP (FRS 102), for example the detailed analysis of fund movements, this creates significant additional information and 'clutter' within the financial statements. Much of the additional disclosures cannot be presented side by side, and therefore any meaningful comparison by users is difficult. The additional disclosures can also detract from the users understanding of the financial statements.

The comparative information is readily available in the public domain (e.g. from the Charity Commission website) should users require. We therefore request that consideration is given to allowing SORP-making bodies to exempt certain disclosures from this requirement.

Question 2: Concepts and pervasive principles

The proposed revised Section 2 Concepts and Pervasive Principles of FRS 102 and FRS 105 would broadly align with the IASB's 2018 Conceptual Framework for Financial Reporting. The IASB's Exposure Draft Third edition of the IFRS for SMEs Accounting Standard (IASB/ED/2022/1) contains similar proposals. The FRC considers it appropriate that FRS 102 and FRS 105 should be based on the same concepts and pervasive principles as IFRS Accounting Standards including the IFRS for SMEs Accounting Standard, given the FRC's aim of developing financial reporting standards that have consistency with global accounting standards. The FRC has made different decisions from the IASB in some respects in

developing proposals to align FRS 102 and FRS 105 with the 2018 Conceptual Framework in a proportionate manner.

Do you agree with the proposal to align FRS 102 and FRS 105 with the 2018 Conceptual Framework? If not, why not?

This FRED, and IASB/ED/2022/1, propose to continue using the extant definition of an asset for the purposes of Section 18 Intangible Assets other than Goodwill and the extant definition of a liability for the purposes of Section 21 Provisions and Contingencies of FRS 102. This is consistent with the approach taken in IAS 38 Intangible Assets and IAS 37 Provisions, Contingent Liabilities and Contingent Assets which use the definitions of an asset and a liability from the IASB's 1989 Framework for the Preparation and Presentation of Financial Statements.

Do you agree with this approach? If not, why not?

Do you have any other comments on the proposed revised Section 2?

We agree with the proposal to align FRS 102 with the 2018 Conceptual Framework.

Definitions

We agree with the proposed revised definition of an asset, and its removal of the direct linkage of benefits to cashflows or equivalents. Charities and PBEs often hold assets for their service potential rather than their ability to general financial returns in the form of cashflows or equivalents.

However, we do not consider it helpful to have two different definitions of an asset or liability within the same standard, as this could lead to confusion for preparers and users of financial statements.

Question 3: Fair value

The proposed Section 2A Fair Value Measurement of FRS 102 would align the definition of fair value, and the guidance on fair value measurement, with that in IFRS 13 Fair Value Measurement. Do you agree with this proposal? If not, why not?

We agree with the proposal to align the definition of fair value and the guidance on fair valuation measurement with that in IFRS 13 Fair Value Measurement.

However, we believe that further clarification should be provided in respect of the application of 'value in use', in particular for PBEs. It is generally recognised that for PBEs the present value of cash flows may not be the most appropriate measure and that service potential needs to be considered.

The Charities SORP (FRS 102) explains "Service potential is the capacity to provide services that contribute to achieving a charity's objectives. Service potential enables a charity to achieve its objectives without necessarily generating net cash inflows."

The concept of service potential is analogous to value in use and is an important one which is particularly relevant for charities. For example, charities often receive gifts of assets which would usually be reported at open market value. However, the paramount concept is the value to the charity and in some cases this may not be the open market value.

The concept of value to the charity is often the value that trustees would be prepared to pay. There is no hard and fast rule or objective basis that may be applied by the trustees when deciding on what they may pay as the risk appetite may differ between charities and dependant on the circumstances. For example, if two identical assets were gifted to two charities one group of trustees may conclude that the value to them was £x (i.e. that they would pay £x) whereas the other trustees may be willing to pay £y. In such circumstances £x or £y would be their considered value to the different charities. This is in contrast to FRS 102 2A.3 which states "*Fair value is a market-based measurement, not an entity-specific measurement*".

In some cases, value to the charity may be based on the economic potential i.e. discounted cash flows but in many cases, this is inappropriate. Many charity properties may be held to derive income streams but these income streams may not be maximised due to the very nature of what the charity is trying to achieve. This is recognised and discussed when considering impairment. In such cases, an alternative measure of its service potential may be more relevant, such as the intrinsic worth of the service delivery or the replacement cost of the asset. In our view each charity can and should determine its own measure of service delivery but this must be reasonable, justifiable and consistently operated.

The concept of value in use or value to the business has been discussed in some detail in the Interpretation of the Statement of Principles for Public Benefit Entities which was published by the ASB in May 2007. The interpretation explains that:

“Many public benefit entities have assets that are specialised in nature, where there may be no viable market for the asset’s sale. As a result, assets are infrequently valued on the basis of net realisable value because it is often artificially low as a result of the lack of an active market.”

In addition, charities and public benefit entities use their assets to deliver their objectives and the cost of producing the asset may be more than the market value calculated on a conventional basis. This needs to be recognised when valuing such assets. The Statement of Principles goes on to explain that *“Value in use may be difficult to calculate in practice. Many assets do not generate cash flows at a market rate because they are involved in the production of goods and services that are provided at a subsidised rate or for free. In such cases, assets should be stated at the replacement cost of the assets service potential.”*

We would welcome further clarification in FRS102 to codify the approach to be taken in such situations.

Do you agree with the proposed consequential amendment to Section 26 Share-based Payment of FRS 102 to retain the extant definition of fair value for the purposes of that section? If not, why not?

Due to the nature of the majority of non-profit and social purpose organisations, Section 26 Share-based Payments is not an area of financial reporting that is particularly significant. However, we do not consider it appropriate to have more than one definition of a term within FRS 102, as we believe that this makes it confusing for both preparers and users of the financial statements.

Question 4: Expected credit loss model

The FRC intends to defer its conclusion as to whether to align FRS 102 with the expected credit loss model of financial asset impairment from IFRS 9 Financial Instruments pending the issue of the IASB’s third edition of the IFRS for SMEs Accounting Standard. Any proposals to align with the expected credit loss model will therefore be presented in a later FRED. Do you agree with this approach? If not, why not?

In IASB/ED/2022/1 the IASB proposes to retain the incurred loss model for trade receivables and contract assets, and introduce an expected credit loss model for other financial assets measured at amortised cost. The FRC’s preliminary view is that, in the context of FRS 102, it may be appropriate to require certain entities to apply an expected credit loss model to their financial assets measured at amortised cost, but allow other entities to retain the incurred loss model. Do you agree with this view? If not, why not?

Based on stakeholder feedback received to date, the FRC does not intend to use the existing definition of a financial institution to define the scope of which entities should apply an expected credit loss model. The FRC’s preliminary view is that it may be appropriate to define the scope based on an entity’s activities (such as entering into regulated or unregulated credit agreements as lender, or finance leases as lessor), or on whether the entity meets the

definition of a public interest entity. Do you have any comments on which entities should be required to apply an expected credit loss model?

We agree with the proposal to defer any proposals to align FRS 102 with the expected credit loss ('ECL') model from IFRS 9.

However, we would note that a number of PBEs make concessionary loans to beneficiaries, which may be in the form of either programme related investments, financial investments or mixed motive investments. As set out in the Charities SORP (FRS 102), such investments are made primarily in furtherance of the charitable aims of the investing charity, and are not made solely to achieve a financial return. Where a financial return is obtained, this is below normal market rates.

The Charities SORP (FRS 102) requires that such investments are recognised at cost and subsequently measured at fair value (where it can be measured reliably) or at cost less impairment. The recognition of any expected credit losses at initial recognition of the asset would be particularly challenging to reassess the contribution to the charitable purposes of the investing charity.

Any future considerations of introducing the ECL model into FRS 102 should provide clarity to PBEs on the application to financial assets such as concessionary loans and programme related investments.

Question 5: Other financial instruments issues

When it has reached its conclusion as to whether to align FRS 102 with the expected credit loss model, the FRC intends to remove the option in paragraphs 11.2(b) and 12.2(b) of FRS 102 to follow the recognition and measurement requirements of IAS 39 Financial Instruments: Recognition and Measurement. This intention was communicated in paragraph B11.5 of the Basis of Conclusions to FRS 102 following the Triennial Review 2017. In preparation for the eventual removal of the IAS 39 option, the FRC proposes to prevent an entity from newly adopting this accounting policy. Do you agree with this proposal? If not, why not? Temporary amendments were made to FRS 102 in December 2019 and December 2020 in relation to interest rate benchmark reform (IBOR reform). The FRC intends to consider, alongside the future consideration of the expected credit loss model, whether these temporary amendments have now served their purpose and could be removed. Do you support the deletion of these temporary amendments? If so, when do you think they should be deleted? If not, why not?

We agree with the FRC's proposals to prevent an entity from newly adopting the recognition and measurement requirements of IAS 39 Financial Instruments.

Question 6: Leases

FRED 82 proposes to revise the lease accounting requirements in FRS 102 to reflect the on-balance sheet model from IFRS 16 Leases, with largely-optional simplifications aimed at ensuring the lease accounting requirements in FRS 102 remain cost-effective to apply. An entity electing not to take these proposed simplifications will follow requirements closely aligned to those of IFRS 16, which is expected to promote efficiency within groups.

Do you agree with the proposals to revise Section 20 of FRS 102 to reflect the on-balance sheet lease accounting model from IFRS 16, with simplifications? If not, why not?

Have you identified any further simplifications or additional guidance that you consider would be necessary or beneficial?

We agree with the proposal that leases should be recognised on the balance sheet, and therefore agree with the proposed revisions to Section 20 of FRS 102.

We have commented in our response to Question 1 in respect of the availability of exemptions and simplifications for small charitable companies.

<u>Components of a lease contract</u>

We consider that further clarification is required where it is not possible for lessees to obtain an analysis of the cost of the components of a lease. For example, wet leases where payments made include both the rental of the assets, crew, maintenance, insurance and other operational expenditure. Lessors may be reluctant to provide a detailed breakdown of these costs, and therefore the lessee will need to make a number of judgements and estimates to disaggregate the lease components, and further guidance in this respect would be helpful.

<u>Leases below market value</u>

We note the introduction of an additional requirement in FRED 82 PBE34.70B, which states *'When a lease contains a non-exchange transaction because the lease payments are significantly below market rents, the incoming resources shall be accounted for as a contribution to the cost of the right-of-use asset.'*

FRED 82 PBE 34.73 further states *'Donated services and facilities shall be measured at the value to the entity.'*

Value to the entity is explained as *'the price the entity estimates it would have paid in the open market for a service or facility of equivalent utility to the entity: for example, the amount that the entity would have paid had the service or facility not been donated. This may not be the same as the market value of the service or facility received.'*

In some cases, an entity may have taken a lease as a result of the reduction in market rents. Had the discounted rents not been provided, it is possible that the entity would have found alternative property at a cost similar to the discounted rent.

We believe that the inclusion of the reduction in lease payments as a result of discounted market rent in the right-of-use asset would not be a fair reflection of the value to the entity, and would potentially result in an overstatement of the right of use asset in the balance sheet.

As the non-exchange transaction element of the right of use asset would be recognised in income, this would also result in the overstatement of fund balances.

Question 7: Revenue

FRED 82 proposes to revise the revenue recognition requirements in FRS 102 and FRS 105 to reflect the revenue recognition model from IFRS 15 Revenue from Contracts with Customers. The revised requirements are based on the five-step model for revenue recognition in IFRS 15, with simplifications aimed at ensuring the requirements for revenue in FRS 102 and FRS 105 remain cost-effective to apply. Consequential amendments are also proposed to FRS 103 and its accompanying Implementation Guidance for alignment with the principles of the proposed revised Section 23 of FRS 102. Do you agree with the proposals to revise Section 23 of FRS 102 and Section 18 of FRS 105 to reflect the revenue recognition model from IFRS 15, with simplifications? If not, why not? Have you identified any further simplifications or additional guidance that you consider would be necessary or beneficial?

<u>Definition of customer</u>

Section 23 (Revenue) applies, with limited exceptions, to all contracts with customers. This has led to two new definitions -

> *Contract - An agreement between two or more parties that creates enforceable rights and obligations.*
>
> *Customer - A party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration.*

FRED82 23.18 goes on to state *'Promises do not include activities that an entity must undertake to fulfil a contract unless those activities directly transfer a good or service to the customer.'*

It is not uncommon for charities to contract with a funder however the services are delivered to a third party (the beneficiaries). This therefore would not meet the definition of a customer.

We would welcome clarity on such circumstances, in particular whether it would therefore be appropriate to consider such contracts as 'Incoming resources from non-exchange transactions' following the guidance in PBE34.67.

Definition of promise

FRED82 23.16 states "At contract inception, an entity shall assess the goods and services promised in a contract with a customer and shall identify each promise to transfer a distinct good or service (or a distinct bundle of goods or services)."

This implies that a promise is an obligation to transfer a good or service that is distinct. FRED82 Section 23 goes on to further elaborate on what may or may not be considered to form part of a promise.

We consider that it could be challenging for preparers to gain a clear understanding of a 'promise' and that would be helpful for a concise definition to be included in FRS 102.

Time value of money

FRED82 23.59 states that *"An entity need not adjust the promised amount of consideration for the effects of the time value of money if the entity expects, at contract inception, that the period between when the entity transfers the good or service promised to a customer and when the customer pays for that good or service will be six months or less."*

We note the comments in FRED82 B23.10 and B23.11 detailing the rationale for the shorter time period to be considered, however in the case of PBEs some longer-term funding agreements are paid in arrears following expenditure being incurred by the entity. Following the Charities SORP (FRS 102), entitlement to recognise the income often occurs significantly prior to the receipt from the funder, as there may be requirements for verification of expenditure and/or review by the funder, and this could therefore lead to a high volume of revenue requiring discounting. This could have knock on implications in respect of fund accounting, resulting in deficits on funds being recorded when in reality such deficits do not exist.

We consider that 12 months would be more appropriate in line with IASB/ED/2021/1.

Commercial substance

FRED82 23.6 requires a contract to have "commercial substance" however we note that there is no definition of commercial substance within FRED82 or extant FRS 102.

This matter has been discussed previously by those PBEs who prepare accounts under IFRS, with the view that commercial substance is considered to be where the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract. There is a change in cash flow when there is a significant change in any of the following factors:

Risk– increase in the risk that cash inflows will not occur because of the transaction.

Timing – such as a change in the timing of cash inflows received because of the transaction.

Amount– such as a change in the amount paid as the result of a transaction.

As we have noted previously, charities often do not carry out activities to generate a financial return, and any services or goods delivered under a contract are in furtherance of the charitable purposes and would not necessarily impact on the entity's future cash flows.

We would welcome additional clarity on this point as prima facie many charity contracts may not appear to meet the commercial substance test on this basis.

Absence of contract

Step 1 of the five-step revenue model requires the preparer to *'Identify the contract(s) with a customer'*. In some circumstances there may be no contract in place, for example PBEs working with local authorities or NHS bodies.

We note that FRED 82 23.18 states *"A contract with a customer generally explicitly states the goods or services that an entity promises to transfer. However, promises may be implied by an entity's customary business practices, published policies or specific statements if these create a valid expectation of the customer that the entity will transfer a good or service to the customer."* and therefore it appears that a contract can arise through a constructive obligation.

We would welcome further clarity and guidance on this matter.

Upfront fees

A number of charities receive income in the form of annual membership subscriptions, which may also be non-refundable.

The Charities SORP (FRS 102), in paragraph 5.48, distinguishes membership subscriptions as either:

1) those which may be in the nature of a gift; and
2) those for which the member has a right to services or other benefits.

When the substance of the subscription is that of a gift the income is recognised on the same basis as a donation.

Where the subscription is considered to the purchase of the right to services or benefits, the income is recognised as income from the provision of goods and services. Where the membership year coincides with the financial year, the income recognition is relatively straightforward, with the full years fee recognised in the year.

In the cases where the membership year does not coincide with the financial year, the income is recognised over the period to which the membership relates, resulting in a deferred income balance on the balance sheet.

We note the requirements of FRED 82 23.30 which states *'Often a non-refundable upfront fee relates to an activity that the entity is required to undertake to fulfil the contract but that activity does not directly transfer a good or service to the customer. If a non-refundable upfront fee relates to the transfer of a good or service, an entity shall evaluate whether to account for the good or service as a separate promise in accordance with paragraphs 23.16 to 23.24. Otherwise, the non-refundable upfront fee is included in the transaction price and allocated to the promises in the contract.'*

FRED82 23.75 states *'An entity shall recognise revenue when (or as) the entity satisfies a promise to transfer a good or service or bundle of goods or services to a customer. A good or service is transferred when (or as) the customer obtains control of that good or service.'*

Generally speaking, membership fees providing access to goods and/or services over the period of membership are therefore considered to be promises satisfied over time as *'the customer receives and consumes the benefits of the entity's performance as the entity performs'* (FRED 82 23.78(a)).

Our interpretation of the requirements of FRED 82 Section 23 would result in no change in the current accounting practice, and would be grateful for confirmation of this view.

<u>Incoming resources from non-exchange transactions</u>

We welcome the clarifications introduced in FRED82 in respect of incoming resources from non-exchange transactions.

We note the amendments to PBE34.74 which now includes *'for example unrecognised volunteer services, or donated goods that have been received but which the entity does not expect to recognise until the goods are sold or distributed.'*.

The disclosure of donated goods that have been received but which have not been recognised is particularly challenging for charities that operate thrift shops. Whilst larger charities with significant chains of thrift shops will have established sophisticated systems that could provide this information, particularly those that also operate the shops online or sell low volume, high value goods (e.g. white goods), the majority of charities would not have such established systems in place.

There are also challenges in relation to donated goods which have not yet been processed for sale, which may include items which cannot be sold and therefore are disposed of or sold as 'rag'. Valuing these items would be particularly challenging.

We therefore propose amending the wording of PBE34.74 such that the inclusion of donated goods is a best practise requirement rather than, as we currently interpret the wording, a must disclose requirement.

Question 8: Effective date and transitional provisions

The proposed effective date for the amendments set out in FRED 82 is accounting periods beginning on or after 1 January 2025, with early application permitted provided all amendments are applied at the same time. Do you agree with this proposal? If not, why not?

We do not believe that the proposed effective date for the amendments allows sufficient time for preparers to complete the data gathering and application given the extensive changes in relation to Section 20 and Section 23 of FRS102.

As noted in our response to Question 1, the changes are particularly burdensome to charitable companies that are often unable to take advantage of the exemptions afforded by Section 1A of FRS102 that 'for-profit' companies are.

In particular, this will be challenging for those charities which operate retail or provide nationwide / global services and therefore have a significant number of leases on various terms. There will also be challenges (as detailed in our response to Question 7) for charities in applying the revised Section 23, given the wide-ranging income streams common within the sector.

We also consider that further allowance should be made for the Charity SORP Committee ('the Committee') to consider the implications of the changes to FRS102 for the sector, and for the Committee to consult with the sector prior to the implementation date. At present, the revised Charities SORP is not be expected to be published until 2024, and therefore allows only a short period of time prior to the effective date for charities to understand any changes to the Charities SORP, gather and analyse the required information.

We expect this challenge would also be relevant across other stakeholder groups, such as Social Housing, Further / Higher Education and Pensions. We therefore propose deferring the effective date to 1 January 2026 to allow the SORP consultation to conclude.

FRED 82 proposes transitional provisions (see paragraphs 1.35 to 1.60 of FRS 102 and paragraph 1.11 of FRS 105). In respect of leases, FRED 82 proposes to permit an entity to use, as its opening balances, carrying amounts previously determined in accordance with IFRS 16.

This is expected to provide a simplification for entities that have previously reported amounts in accordance with IFRS 16 for consolidation purposes, promoting efficiency within groups. Do you agree with this proposal? If not, why not?

Otherwise, FRED 82 proposes to require the calculation of lease liabilities and right-of-use assets on a modified retrospective basis at the date of initial application. Do you agree with this proposal? If not, why not?

In respect of revenue, FRED 82 proposes to permit an entity to apply the revised Section 23 of FRS 102 on a modified retrospective basis with the cumulative effect of initially applying the revised section recognised in the year of initial application. This is expected to ease the burden of applying the new revenue recognition requirements retrospectively by removing the need to restate comparative period information. Unlike IASB/ED/2022/1, to ensure comparability between current and future reporting periods, FRED 82 does not propose to permit the revised Section 23 of FRS 102 to be applied on a prospective basis. However, FRED 82 proposes to require micro-entities to apply the revised Section 18 of FRS 105 on a prospective basis.

Do you agree with these proposals? If not, why not? Do you have any other comments on the transitional provisions proposed in FRED 82?

Have you identified any additional transitional provisions that you consider would be necessary or beneficial? Please provide details and the reasons why.

We agree with the proposals to permit an entity to apply the revised Section 20 and Section 23 on a modified retrospective basis.

It would be helpful to preparers of the financial statements if clear examples were provided of how a 'modified retrospective basis' should be disclosed in the financial statements to ensure consistency in application.

Question 9: Other comments

Do you have any other comments on the proposed amendments set out in FRED 82?

Section 18 - Intangible Assets

We welcome the addition of paragraph 18.3B which reintroduces the previous guidance from FRS 10 in relation to the classification of capitalised costs for software development as either tangible or intangible assets.

We note however the focus in Paragraph 18.4 that '…the entity shall recognise an intangible asset as an asset if, and only if: (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity…'

In our response to Question 2, we have already commented on the use of two different definitions within one standard.

Furthermore, as noted in our response to Question 3, PBEs often do things that do not generate an economic benefit but further the charitable purposes, for example providing access to an online library for members, although we recognise that in some cases there can also be a mixed motive to both generate an economic benefit and for delivering charitable purpose.

We consider that the definitions within Section 18 should be widened to include the service potential of the asset as well as future economic benefits.

Accounting for cryptocurrency

FRED82 A34 states that the FRC considered that there is no urgent need to proceed ahead of the IASB in addressing crypto assets, and therefore the FRED does not contain any specific proposals on such assets.

The charity sector has seen a significant increase in the number of NFT fundraising auctions, and charities are also now accepting crypto assets as donations.

Without formal guidance on the recognition and measurement of such assets, there is a risk of inconsistent approaches being adopted amongst the sector, reducing the comparability of financial statements to users.

Comparative information and reducing clutter in the accounts

We have noted in our response to Question 1 above the issue in regard to comparative information for charities preparing financial statements under the Charities SORP (FRS 102).

Question 10: Consultation stage impact assessment

Do you have any comments on the consultation stage impact assessment, including those relating to assumptions, sources of relevant data, and the costs and benefits that have been identified and assessed? Please provide evidence to support your views.

In particular, feedback is invited on the assumptions used for quantifying costs under each of the proposed options (Section 3 of the consultation stage impact assessment); any evidence which might help the FRC quantify the benefits identified or any benefit which might arise from the options proposed which the FRC has not identified (Section 4 of the consultation stage impact assessment); and appropriate data sources to use to refine the assumption of the prevalence of leases by entity size (Table 23 of the consultation stage impact assessment).

We have no specific comments on the consultation stage impact assessment.