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**From:** Douglas Christie [REDACTED]  
**Sent:** 21 April 2023 13:35  
**To:** ukfrsperiodicreview  
**Subject:** FRED 82 Consultation response

[REDACTED]

Further to your request for comment on the draft amendments to FRS102:

**Question 6 – Leases**

*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?*

I disagree with the proposals.

The Overview of FRED82 begins by stating that “the FRC’s overriding objective in setting accounting standards is to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users’ information needs”.

I don’t believe this objective is achieved by changing the accounting treatment of leases in statutory accounts prepared under FRS102. You will have better data on the types of businesses applying FRS102 that I do but I wouldn’t be surprised if for most entities applying FRS102, the majority of leases to be accounted for will be straight forward property and vehicle leases. The current accounting for these as a periodic expense is already well understood by preparers and users of accounts.

The argument that FRS102 should align its accounting with IFRS is a circular argument. The reason FRS102 didn’t adopt on-balance sheet accounting for leases in the first instance was to shield small and medium sized entities from the disproportionate requirements of IFRS16. Adding it in now feels like unnecessary scope creep. Other than accounting professionals, some of whom will have a vested commercial interest in change, has there been a large demand from users of accounts for this change to be introduced?

You have estimated the cost of implementing the changes introduced by FRED82 as a whole at £637 million but were unable to quantify the benefits. I’m not sure the benefits will outweigh the cost, especially for smaller entities. This is an unnecessary additional expense and complication for preparers of accounts.

Kind regards  
Douglas Christie