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Your ref FRED 80

Our ref bg/es

For the attention of: **Accounting and Reporting Policy team**

25 August 2022

Dear Accounting and Reporting Policy team

Response to FRED 80 – Draft amendments to FRS 100 Application of Financial Reporting Requirements Application Guidance The Interpretation of Equivalence

Thank you for the opportunity to respond to the Financial Reporting Council's (FRCs) request for comments on FRED 80, which updates the Application Guidance to FRS 100 on the interpretation of equivalence as a consequence of changes made to UK company law following the UK's exit from the European Union. Our comments on the two questions raised in the Exposure Draft are set out below.

Question 1 – Do you agree with the proposed amendments to the Application Guidance The Interpretation of Equivalence to FRS 100? If not, why not?

We agree with the proposed amendments to the Application Guidance *The Interpretation of Equivalence* to FRS 100.

Question 2 – In relation to the Consultation stage impact assessment, do you have any comments on the costs and benefits identified? Please provide evidence to support your views.

Although we can't quantify the potential costs arising in companies relating to the assessment of equivalence of overseas accounting frameworks that are not specifically covered by FRS 100, we have an observation relating to the equivalence assessments that will be required when considering EU state national accounting frameworks.

Paragraph 14 explain that "the proposed Application Guidance indicates that the key to determining equivalence is consideration of the basic requirements of the respective frameworks – such as the requirement to give a true and fair view – rather than of conformity with each and every provision of that framework." This principle is set out within the Application Guidance in paragraphs AG6 (generally), AG13 (for UK entities) and AG21 (for Irish entities).

Article 4 of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and



related reports of certain types of undertakings (“the EU Accounting Directive”) requires that the “annual financial statements shall give a true and fair view” and so aligns with the basic equivalence requirements set out within the Application Guidance.

Given Part 15 of the Companies Act, and so UK accounting standards, and accounting frameworks of European Union nations are currently all based on the EU Accounting Directive it would provide a clear benefit for individual preparers if the Application Guidance could also form a view that at the current time, and until such time as either Part 15 of the Companies Act or the EU Accounting Directive are substantially modified, accounting frameworks of European Union nations would meet the equivalence condition in section 401(2)(b) subparagraph (ii) (for UK entities) and in section 300(4)(b) subparagraph (ii) (for Irish entities). This would also aid the FRC’s stated objective to see that companies and their auditors do not feel obliged to take an overly cautious approach.

Please contact Barbara Griessner on [REDACTED] should you wish to discuss this response.

Yours sincerely

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