

**The Department of Community, Rural and
Gaeltacht Affairs and ICTR:
Shaping the future of charity reporting in
the UK and Ireland**

The Future of UK/Irish GAAP and Charities

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Today's Presentation

- The ASB and Public Benefit Entities
- The move to one framework
- Issues for charities
- The future role of SORPs

The ASB and PBEs

- Committee on Accounting for Public-benefit Entities (CAPE)
- Review of PBE SORPs
- IASB and IPSASB Framework projects
- The Interpretation for PBEs of the Statement of Principles

One framework for all

- EU Regulation requires listed consolidators to apply IFRS
- Seeking to move UK/Irish GAAP towards the international framework
- March 2004 to April 2007 public consultations
- Strong view that we cannot sustain two accounting frameworks

The new proposal

- IFRS for SMEs provided an opportunity
- August 2009 '*Policy proposal: the Future of UK GAAP*'
- Download Consultation Paper at <http://www.frc.org.uk/asb/press/pub2054.html>

Policy proposal: the Basics

- ASB intention is to work under IASB framework and converge to the fullest extent possible
- ASB maintaining right to set UK GAAP but separate body of literature would go
- Ireland can consider its position
- Differential reporting regime based on public accountability

Will it all end in tiers?

- Proposed three tier structure
 - Tier 1: EU adopted IFRS for entities that are ‘publicly accountable’
 - Tier 2: IFRS for SMEs
 - Tier 3: Financial Reporting Standard for Smaller Entities (FRSSE)
- All entities have the option to adopt a higher tier

Who has Public Accountability?

- An entity has public accountability if:
 - Its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market including local and regional markets); OR
 - It is a deposit-taking entity and/or holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities broker/dealer, mutual funds or investment banks.

Tier 1: Considerations

- Should public accountability be determined by the nature of the entity alone? Or should size matter?
- Individual listed companies
- Large private companies
- Subsidiaries of listed companies
- Investment funds and companies
- Charities and other not for profits
- Building societies, other mutuals and co-operatives
 - *Are these entities 'publicly accountable'?*
 - *Would full IFRS be appropriate or onerous?*

Tier 2: Considerations

- IASB SME standard
 - Is it suitable for the very large and/or the small?
- Implications of the EU Commission's simplification project
- Compatibility with the EU Accounting Directives
- Does the UK adopt the IFRS for SMEs wholesale, or amend it?

Tier 3: Considerations

- Current thinking is to keep the FRSSE, but for how long?
- If indefinitely, ASB would need to 'internationalise' it
- Potential implications of Commission proposal on micro-entities and UK Government's simplification project on micro-entities

Issues for Charities

- Are charities publicly accountable?
- Sources of funding demand transparency and accountability
- But IFRS don't address charity issues
- Also, many charities are small and have limited resources

An ASB standard for PBEs?

- To address 'gaps' and 'supplement' IFRS, for example:
 - Non-exchange transactions
 - Measuring the service potential of assets
 - Business combinations
 - Presentation and Disclosures

Issues for a PBE standard

- Stand-alone? or
- Cover only those issues where PBEs are different and IFRS needs to be supplemented?
- Should it cover narrative reporting?
- Should it be based on IFRS for SMEs?

Let us know your views!

The future role of PBE SORPs

- Why do we have SORPs?
- PBE SORP making bodies
- Continuing need for guidance to supplement PBE standard?
- Should the ASB continue to endorse SORPs?

What next?

- Engagement with sectors, other events
- ASB review of responses
- Develop ED for implementing 'converged' UK GAAP
- Separate ED for PBE standard?

Timetable

- Proposed change date of January 2012
- Supplementary guidance to be developed by SORP making bodies
- Managing the transition
- Education and training

Main messages

- UK/Irish GAAP is changing
- The move to one framework is being proposed
- ASB recognises issues for charities
- Please engage in the debate

***Closing date for comments:
1 February 2010***