



THE INSTITUTE
OF CHARTERED
ACCOUNTANTS
IN ENGLAND AND WALES

22 January 2010

Our ref: ICAEW Rep 10/10

Your ref:

Richard Grafen
Department for Business, Innovation and Skills
Corporate Law and Governance Directorate
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SW1H 0ET

By email richard.grafen@bis.gsi.gov.uk

Dear Richard

BIS consultation on Financial information required in Statements of Capital

The Institute of Chartered Accountants in England and Wales is pleased to respond to your request for comments on the Department for Business, Innovation and Skills (BIS) consultation on *Financial information required in Statements of Capital*.

Please contact me should you wish to discuss any of the points raised in the attached response.

Yours sincerely

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ICAEW REPRESENTATION

ICAEW REP 10/10

BIS CONSULTATION ON FINANCIAL INFORMATION REQUIRED IN STATEMENTS OF CAPITAL

Memorandum of comment submitted in January 2010 by The Institute of Chartered Accountants in England and Wales, in response to the Department for Business, Innovation and Skills (BIS) consultation paper *Financial Information required in Statements of Capital* published in November 2009.

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INTRODUCTION

1. The Institute of Chartered Accountants in England and Wales welcomes the opportunity to comment on the consultation paper Consultation on Financial Information Required published by BIS.

WHO WE ARE

2. The Institute operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, the Institute provides leadership and practical support to over 132,000 members in more than 160 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. The Institute is a founding member of the Global Accounting Alliance with over 775,000 members worldwide.
3. Our members provide financial knowledge and guidance based on the highest technical and ethical standards. They are trained to challenge people and organisations to think and act differently, to provide clarity and rigour, and so help create and sustain prosperity. The Institute ensures these skills are constantly developed, recognised and valued.

MAJOR POINTS

Support for the initiative

4. We support BIS's proposals to simplify the financial information which is required to be included in statements of capital, as the current requirements are causing difficulties.
5. In essence, in the long term, we support a version of the maximum position that would see the following disclosure, with every statement of capital having identical format/content for simplicity:
 - number of shares in total and in each class of share;
 - amounts unpaid up on shares, both in total and in each class (aggregated by class);
 - the total nominal value paid up on shares (for each class of shares and in total);
 - the total nominal value of issued shares (including both paid up and unpaid), in total for the company and in each class (aggregated by class);
 - the aggregate value of the company's share premium account; and
 - the aggregate amount of unpaid share premium.
6. However, in the short term, whilst it would be preferable to have such consistent requirements for all circumstances in which statements of capital are required to be filed, we consider that the government should amend all of those cases where they have the power to do so as soon as possible by secondary legislation, with the remaining requirements to be amended at a later date when a primary legislative vehicle becomes available.

RESPONSES TO SPECIFIC QUESTIONS

Q1. Do you agree with the description of the problems in paragraphs 27-29?

7. Yes.

Q2. Do you have any further concerns about the financial information requirements in the statement of capital?

8. No.

Q3. Do you agree with the conclusion that number of shares in total and in each class should be included in the statement of capital for all companies?

9. Yes.

Q4. Do you agree with the conclusion that total paid up nominal value of issued shares should be required for statements of capital relating to formation for both public and private companies?

10. Yes.

Q5. Do you believe that the benefit to readers of including the total paid up nominal value of issued shares in other statements of capital would justify imposing on the company the cost of providing it?

11. Yes. We consider this would be a relatively insignificant cost that would be outweighed by the benefit of having a uniform statement whenever filed.

Q6. Do you agree with the conclusion that amounts unpaid up on shares in each class should be included in the statement of capital for all companies?

12. Yes, provided such amounts unpaid up on shares are aggregated by class (not by share). We note this information is not required by the Second Directive, and thus could be considered to be gold plating. However, we consider this information is relatively cheap to obtain/provide, and would be useful to readers eg creditors, and therefore we believe it would be usefully included.

Q7. Do you agree with the conclusion that the total nominal value of issued shares should continue to be required in the statement of capital for public companies?

13. Yes.

Q8. Do you believe that the benefit to readers of including the total nominal value of issued shares in the statement of capital for private companies would justify imposing on the company the cost of providing it?

14. Yes. Even though this information is not required by the Second Directive (as private companies are outwith those requirements), we consider that in the interests of simplicity, the statements of private companies should contain the same information as those for public companies.

Q9. Do you believe that the benefit to readers of including the aggregate value of the share premium account in the statement of capital would justify imposing on the company the cost of providing it?

15. Yes. The aggregate value for share premium account should not be a difficult number to produce.

Q10. Overall, for the five items listed above, do you agree with our assessment of the value and costs of the information?

16. Yes.

Q11. In addition to any comments you have made on the individual elements above, do you have any views on the minimum and maximum described, and on the choice of a point between them?

17. We note that there is some additional information (ie extra to the maximum position outlined in the consultation document) which would be disclosure of aggregate unpaid share premium, and we would support the maximum position plus this additional disclosure.

Q12. Do you agree that the statement of capital provided on formation of a new company should remain as it is?

18. The statement on formation should be in the same format as subsequent statements.

Q13. Do you agree that – apart from on formation – the requirements in the statement of capital should be the same in all the different situations in which it is required? If not, what differences do you think there should be?

19. We would go further and say that the statement of capital should be the same in all the different situations, including on formation.

Q14. Do you believe that we should change all of the statements of capital at the same time, or that we should consider taking earlier opportunities to amend those for which powers are available?

20. Whilst it would be preferable to have consistent requirements across the board, in view of the likely delay (eg 2 years) for those where primary legislation would be required and especially given the annual return obligation is a recurring obligation, we consider that amending the annual return obligation (and all the other cases where BIS have the power to do so) sooner would be the lesser of two evils.

Q15. Do you have any comments on the Impact Assessment at Annex B?

21. No comment.

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