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THE INSTITUTE  
OF CHARTERED  
ACCOUNTANTS  
IN ENGLAND AND WALES

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Dear Michelle

## IMPROVEMENTS TO FINANCIAL REPORTING STANDARDS

The Institute of Chartered Accountants in England and Wales (the Institute) welcomes the opportunity to comment on the exposure draft *Improvements to Financial Reporting Standards*, published by the Accounting Standards Board (ASB) in June 2008.

We set out below our responses to the questions raised by the ASB.

**Question 1: The proposals set out in this FRED implement the IASB proposals arising from its annual improvements project; consequential amendments from new or amended IFRS and editorial corrections to IFRS. In addition section 2 of this FRED includes proposed amendments which have been identified to apply to UK FRS only. Do you agree with the ASB proposals for implementation of these changes to UK FRS? Do you also agree with the changes proposed to UK in section 2 of this FRED? If not please explain why not.**

### **SSAP 19 *Investment properties***

1. We have not attempted to respond to all the detailed amendments proposed in the exposure draft. However, we have identified a substantive problem in relation to SSAP 19 *Investment properties*, and as a result we do not agree with the proposed amendment intended to align SSAP 19 with IAS 40 *Investment Property*.
2. There are fundamental differences between SSAP 19 and IAS 40. For example:
  - (a) SSAP 19 allows measurement only at open market value, while IAS 40 allows investment properties to be measured at either cost or fair value;
  - (b) under UK GAAP, revaluation gains on investment properties go through the revaluation reserve, whereas fair value gains are income statement items in IFRS.
3. The effect, therefore, is that in extending the application of SSAP 19 as currently implemented to properties under construction, the proposed amendment will require such properties to be recorded at open market value, which is more restrictive than IAS 40. We believe that the current treatment of properties under construction under FRS 15 is actually closer to the requirements of IAS 40 than the solution proposed by the ASB. Moreover, the rules on capitalisation costs are in FRS 15, not SSAP 19.

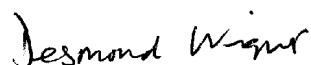
4. We do not believe it is appropriate to make piecemeal amendments to SSAP 19 in this way. If the Board intends to converge SSAP 19 with IAS 40, it should address the whole standard and all the issues in a dedicated convergence exposure draft. Indeed, we question whether it is appropriate in principle to attempt to adopt any IASB 'improvements' into non-converged standards.

**Question 2: The ASB considers by combining its proposals into one FRED this is a cost effective approach for implementation and that the benefits outweigh the costs involved. Do you agree? If not, why not? It would be helpful if any significant costs that would arise on implementation of the proposals could be identified and quantified.**

5. We understand the Board's intentions in attempting to deal with amendments arising from the IASB's annual improvements process at the same time as certain other amendments to the UK FRS. However, we found the result confusing. It is difficult to identify where changes to IFRS result in changes to UK standards. Moreover, the use of UK vs. IFRS terminology appears to be inconsistent.
6. We are not convinced that it is helpful to users to bundle IFRS-based improvements with other improvements. However, if the ASB believes that this is a more efficient approach, we suggest that it might be more helpful to deal with the amendments on a standard-by-standard basis, rather than by source. This could be accompanied by a summary of all the changes to IFRS, with an indication of which of these are relevant to the UK.
7. As noted above, we question whether it is appropriate in principle to attempt to adopt IFRS 'improvements' into non-converged standards. It seems inevitable that there will be unintended consequences from doing so. It is not therefore plausible to assess the cost/benefit equation, and we note that the ASB has not attempted any quantification.
8. In the absence of an agreed strategy for fully converging UK GAAP and IFRS, we believe that the ASB should restrict its IFRS-based improvements to fully converged standards, and preferably keep such amendments separate from other improvements.

Please contact me if you would like to discuss any of the points raised in this response.

Yours sincerely



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