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Mr Roger Marshall  
Chairman  
Accounting Standards Board  
5<sup>th</sup> Floor, Aldwych House  
71-91 Aldwych  
London WC2B 4HN

Dear Roger

**FRED 45: FINANCIAL REPORTING STANDARD FOR PUBLIC BENEFIT ENTITIES**

ICAEW is pleased to respond to your request for comments on FRED 45, *Financial Reporting Standard for Public Benefit Entities*.

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

Yours sincerely

John Boulton ACA  
Manager, Corporate Reporting, Financial Reporting Faculty

T +44 (0)20 7920 8642  
E [john.boulton@icaew.com](mailto:john.boulton@icaew.com)



**ICAEW REPRESENTATION**

**FRED 45: FINANCIAL REPORTING STANDARD FOR PUBLIC BENEFIT ENTITIES**

**Memorandum of comment submitted in August 2011 by ICAEW, in response to Accounting Standards Board exposure draft FRED 45, *Financial Reporting Standard for Public Benefit Entities*, published in March 2011.**

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## INTRODUCTION

1. ICAEW welcomes the opportunity to comment on the exposure draft FRED 45, *Financial Reporting Standard for Public Benefit Entities*, published by the Accounting Standards Board in March 2011.

## WHO WE ARE

2. ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter which obliges us to work in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 136,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.
3. ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.
4. The Financial Reporting Faculty is recognised internationally as a leading authority on financial reporting. The Faculty's Financial Reporting Committee is responsible for formulating ICAEW policy on financial reporting issues, and makes submissions to standard setters and other external bodies. The faculty also provides an extensive range of services to its members, providing practical assistance in dealing with common financial reporting problems.

## MAJOR POINTS

### Principle of a separate standard for public benefit entities

5. We applaud the steps the Board has taken with the current exercise toward establishing a consistent accounting regime for public benefit entities. We support this initiative and agree that the issuance of a Financial Reporting Standard (FRS) for public benefit entities (PBEs) as part of the construction of a new framework for financial reporting in the UK and Ireland, is an important milestone on the route to achieving this much needed consistency. We therefore welcome the exposure draft and broadly support the approach that it sets out. However, we do question whether publication of the standard as a stand-alone document is the most efficient solution for the final public benefit entity regime. Preparers, many of which may lack the level of resource often available in a commercial environment, may have to master three separate documents; FRSME (for those to whom it applies), FRSPBE and SORP. This is a complication of the existing situation and may not be the optimal solution. Instead it may be preferable to incorporate FRSPBE into a special PBE version of FRSME, either as box sections in the relevant chapters or as an appendix, in either case it would require careful referencing to accommodate those cases where FRSPBE provides a pragmatic exemption from something that FRSME would otherwise require. A suitable indexing system would also need to be added. Not only would this be easier for preparers to digest but it would also offer the opportunity to condense the current FRSPBE which is repetitious in places of FRSME. FRSPBE elements dealing with detailed application would be better located within the SORPs.
6. We also believe that a number of the issues addressed by the exposure draft have yet to be satisfactorily resolved and we refer to these in our responses below to the questions posed in the exposure draft.

## Consistency in public benefit entity accounting

7. Publication of the draft FRSPBE is a welcome step forward in bringing much needed consistency to public benefit entity accounting. However, we do feel that without further momentum the current consultation risks falling short on this objective. One of the main gains that could be expected from the project is the alignment of the SORPs. We are supportive of the continuation of individual sectoral SORPs and believe that they have an important role to play in providing sector specific detail. But the current situation can result in two entities engaging in substantially similar transactions potentially employing different recognition, measurement or presentation approaches in their financial statements. This is not a desirable situation and we do therefore feel that CAPE and the ASB could perhaps be more instrumental in encouraging the convergence of principles across sectors. FRSPBE will help, but the end objective should be for a single set of principles, consistently applied throughout the public benefit entity arena. The current exercise is incomplete where this is not addressed.

## Division between FRSPBE and the SORPs

8. One new issue raised by publication of a specific standard for public benefit entities is the rationale for dividing matters between the standard and the SORPs. In our opinion the primary objective of the standard should be to establish universal principles, supplementing those of the FRSME and thereby helping to achieve conformity of treatment across sectors. The SORPs conversely should contain material taking these principles and applying them in detail to the sector in question. At present this distinction is not necessarily clearly drawn and we therefore urge the Board to give it further consideration.

## A different measurement basis for non-exchange transactions

9. We welcome the clarity that FRSPBE promises to bring to the accounting for donations of goods or services. Currently *recognition* of non-exchange transactions is inconsistent with, in the case of charities, some being recognised on receipt, others on sale and yet others not at all. FRSPBE establishes a single recognition principle and we welcome this as a positive step forward. However, when it comes to *measurement* the situation is more complex. We agree that fair value is a sensible starting point, but we do not believe that this should be measured from the perspective of the donor as paragraph 7A.15 (a) suggests. We set out in paragraph 28 below a series of reasons why we believe these transactions should be measured at their fair value to the entity and we urge the Board to consider a shift to this measurement basis. As we explain in paragraph 29, this approach enables measurement on a basis appropriate to the individual class of item being valued, the details of which are best contained in the SORPs. For assets that are consumed, distributed, or retained for use by the entity, and which cannot feasibly be sold-on for more than their value in use, measurement is likely to be at the value of an equivalent asset that the entity would have purchased to serve the same purpose. However as set out in paragraph 29, for inventory items held for resale this approach is inconsistent with the principles of FRSME paragraph 14, for these items replacement cost would be more appropriate. Replacement cost may be the open market value for the goods in question, but for second-hand items where a feasible commercial substitute may not be available, particularly for low value items where a significant, comparable market may not exist commercially, this value may be negligible.
10. There is also much concern in the sector about the practicality of implementing these proposals, and particularly in the case of valuing stocks of second-hand goods for resale, that the costs of compliance are unlikely to be outweighed by the benefits gained. We urge the Board to give careful consideration to the concerns of the sector in developing the proposals further. We welcome the cost / benefit exemption contained within FRSPBE which precludes the measurement of services received where these are not reasonably quantifiable, and we question whether this exemption could not also be extended to the valuation of donated goods for resale.

### Re-exposure and effective dates

11. The effective date proposed, even though this has been tentatively moved back to January 2014, will be very challenging for all entities moving to the new regime for UK GAAP, but will be a particular problem for public benefit entities especially those who may need to wait for the release of the appropriate SORP. Therefore, as set out in our response to FRED 43 and 44 (ICAEW REP 52/11), we urge the Board to consider delaying the effective date. In our opinion an effective date in 2015 may be a more achievable timetable.
12. As the proposals of the Accounting Standards Board (ASB) for the new framework are developed in response to comments received on FRED 43, *Application of Financial Reporting Standards*, and FRED 44, *Financial Reporting Standard for Medium-sized Entities*, it may be appropriate to revisit certain aspects of the proposals for PBEs. We accordingly reserve the right to reconsider in due course the proposals in FRED 45 in the light of concurrent developments.

### Future changes to the FRSME and FRSPBE

13. Once the new standards have been put in place and start to be used, we would be keen for the ASB to start a discussion on how it plans to amend the FRSME and FRSPBE over time, including whether and how to update on a regular cycle, how it plans to get feedback on how the standards are operating in practice, how the Board will consult on major changes prompted by changes to full IFRS and so on. We assume that the process will be built around the IASB cycle for updating the IFRS for SMEs, but it may be useful to have a debate on how this will work in practice and whether it will be desirable to allow or require changes outside that cycle.

## RESPONSES TO SPECIFIC QUESTIONS

### Definition of a public benefit entity

**Q1: Is the definition of a public benefit entity and the accompanying application guidance sufficiently clear to enable an entity to determine if it is a public benefit entity? If not, why not?**

14. We believe that the definition of a PBE is appropriate but that the accompanying guidance is not sufficiently clear and so could leave some entities in doubt as to whether they qualify as PBEs. While we do not expect the guidance to cover all conceivable cases, it could usefully include some reasoned examples as to why particular types of entity would or would not come within the definition. Examples we have considered include trade unions, professional associations, livery companies, clubs, and social enterprise entities.

### Effective date

**Q2: The ASB is proposing an effective date of 1 July 2013 which is consistent with the effective date of the FRSME. Early adoption will be permitted except for entities subject to a SORP, whereby they will be required to follow the SORP until the effective date of the [draft] FRSPBE.**

**Do you agree with:**

- (a) the proposed effective date; and**
- (b) the restriction on early adoption?**

**If not, what would be your preferred date, and why?**

15. In our response to the Board on FREDs 43 and 44 (ICAEW REP 52/11) we expressed some concern with the proposed timetable. While we believe that the Board should move as quickly as possible to clarify the new regime for the UK, we are concerned that the proposed mandatory transition date, even now moved back slightly to January 2014, may not allow adequate time to prepare for the change. The training, education and systems challenges should not be under-estimated. There is no reason why this consideration should cause any delay in issuing the new standards, and early adoption could be permitted, but we do feel that an early 2014 effective date is likely to be problematic for all entities moving to the new regime. It is a particularly acute problem for public benefit entities, especially those sectors where SORPs will need to be revised, as for these entities the new regime will not become fully evident until some time after the publication of FRSME. A smooth and well-understood transition should be a key priority when the Board determines the timetable for change. We intend to do all we can to smooth the transition for our members and others affected by the change. The Board should plan to do the same.
16. We believe therefore that an extension in the effective date, to say 2015, is likely to be welcomed by all entities moving to the new UK regime. And while such an extension is desirable for all, it is particularly important for public benefit entities. Consequently we suggest that the Board may wish to consider whether staggered effective dates may be an appropriate solution. We agree that for entities affected by it, FRSPBE should come into effect at the same time as FRSME, and – as the objective should be to have all the relevant requirements co-ordinated – it would also be desirable for the amended SORPs to be ready to come into effect at the same time. But we do not necessarily accept that FRSME needs to have the same effective date for all entities falling within its scope. Although our preference would be for the effective date to be extended for all, consideration could also valuably be given to introducing the new regime for public benefit entities with a later effective date (presuming that early adoption is permitted) to that for non-PBEs.

## Concessionary loans

**Q3: Do you agree with the proposals for concessionary loans in public benefit entities? If not, what alternative accounting treatment and/or disclosures do you consider appropriate?**

17. While we do not oppose the choice of accounting treatments proposed at paragraph 2.3 of the exposure draft, we are doubtful how relevant or useful the fair value approach at 2.3(a) will be for PBEs. This paragraph therefore merely risks confusion, particularly as readers are cross referred back to a different document, and we wonder whether the clarity of the standard could not be improved by its omission.
18. It could also be questioned how useful the proposed disclosures required under the 2.3(b) approach would be in group situations, for example, concessionary loans by a PBE to a subsidiary which is not subject to the FRSPBE. In this case the costs that the FRSPBE is seeking to avoid would fall on the subsidiary anyway. A disclosure exemption could usefully be offered in these situations.
19. It would also be useful if FRSPBE could include some examples of how the proposed accounting treatments would be applied and of the relevant disclosures. Finally, it is not clear that deferred payment terms agreed with a debtor or payments for services received are excluded from the definition of concessionary loans. We do not believe that these situations would normally constitute concessionary loans and we would welcome clarification of this in FRSPBE.

## Property held for the provision of social benefits

**Q4: Do you agree with the proposals for property held for the provision of social benefits? If not, why not?**

20. We agree that property held for the provision of social benefits should be classified as property, plant and equipment and therefore be subject to the requirements of section 17 of the FRSME. However, it should be noted that users of public benefit entity accounts are particularly likely to find fair value information about properties useful and therefore we welcome the direction of recent deliberations of the Board, suggesting that the option to revalue properties be introduced to the FRSME.
21. We also believe that it may not be entirely clear to users of the FRSPBE what the 'primary' provision of social benefits means in this context as this could be interpreted in a variety of ways and further clarification may be required as well as additional guidance in the relevant SORPs. One situation that could be ambiguous would be where the rent charged by a social landlord represents a substantial portion of the market rent. Latest government proposals suggest that social landlords could charge up to 80% of market rent in some cases; it would be useful to have further guidance on whether in this situation the provision of social benefits would represent the primary purpose of the rental. Determination of the unit of account could also be problematic. Where a social landlord develops a large estate comprising many different elements it is not clear how far, if at all, the development should be segmented for the purpose of assessing the provision of social benefits. For example the development may include a number of retail units let at market rents, or some properties that are let at a higher rate than others, in some cases an individual property could have a share (perhaps a majority share) held privately by its occupier. It is unclear how these various considerations would affect the assessment. While the standard cannot cover all eventualities, it would be helpful for some further broad principles to be established.

## Entity combinations

**Q5: Do you agree with the proposals for combinations that are in substance a gift and combinations which are in substance a merger?**

**Q6: Do you agree with the criteria set out for merger accounting? If not, what criteria in addition to or instead of those suggested should be included in the draft Standard?**

22. Subject to the points noted below, we broadly agree with the proposals for entity combinations.

23. For combinations that are in substance a gift, it would be helpful to clarify what the 'principal components' of the financial statements referred to at paragraph 4.7(c) would be. Nor is it clear why – at paragraph 4.7(d) – disclosure is proposed of 'The aggregate carrying value of the net assets of each entity at the date of the transaction.' Disclosure of the fair value of the gift should be sufficient.

24. For combinations that are in substance a merger, we are concerned by the criterion in paragraph 4.9(b) that:

'there is no significant change to the class of beneficiaries of the combining entities or the benefits provided as a result of the combination'.

Such changes are often the purpose of the combination, and we do not see that the transaction should fail to be classified as a merger for this reason, especially where the intention exists from the start of the merger process to streamline services, expand to new areas, etc. Therefore it would be useful to either delete this criterion or at least to make it clear that 'significant change' is drawn quite widely.

## Impairment of assets: public benefit considerations

**Q7: Do you agree with the proposed alternative method of determining value in use for assets held for their service potential? If not, what alternative method would you suggest and why?**

25. We agree with the proposed alternative method of determining value in use for assets held for their service potential. However, the definition of net value in use in the main document is different to the definition in the glossary and we are concerned that it is insufficiently clear. The salient point is not that cash-flows are difficult to measure, but rather that they are an inappropriate valuation base for assets of this type. Therefore a replacement cost approach should be the default in these situations not an alternative if cash-flow valuation is not possible. As currently drafted this point is not clearly made. Furthermore the phrase 'depreciated replacement cost' could usefully be supplemented with some additional guidance. In this context replacement would not necessarily be with an asset similar in all respects, but with one that has the capacity to deliver the same service – which may in fact be a quite different asset. We are also concerned that as currently drafted some situations could inappropriately be caught by paragraph 5.5 rather than defaulting to paragraph 5.6. Assets held for their service potential are also quite likely to generate at least some cash flows; therefore we feel it may be useful to add some qualifying words to paragraph 5.5 such as 'as opposed to situations where cash flows are incidental to the purpose for holding' to make it clear that in these situations paragraph 5.6 would be applied.

## Funding commitments

**Q8: Do you agree with the recognition criteria and measurement and disclosure requirements set out in the proposals? If not, what further criteria and/or disclosure requirements should be included and why?**

26. We agree that funding commitments meeting the definition of a liability should be recognised as such on the balance sheet. However, we do not believe that the liability test in paragraph 6.2 is articulated clearly enough. Liabilities are clearly defined in paragraph 2.39 of FRSME,

and it would therefore be desirable to link more strongly to this definition for funding commitments. As currently drafted paragraph 6.2 risks confusing principles that had been clearly established in FRSME. The clarification in 6.2 (a) that the entity 'cannot realistically withdraw' from the obligation is useful, but 6.2 (b) is unclear and potentially unnecessary; a situation where the counterparty had yet to perform (and therefore where there was no current obligation) is already adequately addressed by the FRSME liability definition.

27. The guidance provided in the appendix to section 6 has the potential to be useful in helping to distinguish a funding obligation from a commitment, but we do feel that some improvements could be made to it. Paragraph 6A.1 could be read as restricting commitments that should be recognised as liabilities to legal commitments only. FRSME (paragraph 21.6) recognises 'constructive obligations' as a form of liability that ought to be recognised, and we believe that the same approach should be applied to PBEs' commitments. For this reason, we are also concerned that paragraph 6A.2 could be interpreted too narrowly. We accordingly suggest that these two paragraphs should be significantly redrafted so as to clarify that they are consistent with the approach in FRSME. The guidance on performance-related conditions could also usefully be extended, for example it is not currently clear whether the mere fact that the granted money has not yet been spent (when it is required to be spent in a certain way) could be a performance condition, or how the fact that performance is outside of the entity's control would be interpreted. However, it may not be sufficient to merely clarify the guidance in situ within FRSPBE; the interplay between this section and the SORPs also needs further consideration. Detailed guidance of this kind sits more naturally within the SORP and it may be that some of this section would be better located in that document. Equally, it is important that the principles established in FRSPBE can be consistently applied in the SORPs. It is well-established in the Charities SORP that funds given for a restricted purpose are recognised when receivable, and it is difficult to see how the guidance as currently drafted would reconcile with this.

### Incoming resources from non-exchange transactions

**Q9: Do you agree with the proposals for recognition of incoming resources from non-exchange transactions?**

**Q10: Is the guidance sufficiently clear to enable an entity to understand and interpret the proposed requirements? If not, what further guidance is required?**

28. We support the principles guiding section 7 on non-exchange transactions. Accountability can be enhanced through the complete recognition of all of the resources an entity has benefited from during a particular period, and we therefore welcome the clarity that FRSPBE brings to this area by establishing an unambiguous principle of *recognition* for all asset classes. Taking the example of charities, the current SORP requires different treatments for different asset classes. This disparate approach to recognition lacks conceptual justification and we are therefore supportive in principle of the Board's efforts to improve consistency.
29. We do appreciate however that the measurement of donated goods or services can be extremely complex; both the choice of measurement basis and the practicalities of obtaining a valuation require careful consideration. The ED states that non-exchange transactions should be measured at fair value; this is a reasonable starting point, but we do feel that the relevant reference point here is the fair value to the entity, not the cost to the donor as suggested by paragraph 7A.15 (a). The very nature of donations is that these are not commercial transactions and therefore there is not necessarily a close correlation between the use the entity is able to make of the donation and the external market. In some cases an entity may receive high value goods or services but be able to perform the same function with a lower cost substitute. Paragraph 34 of FRED 45 suggests that in many such cases the higher value item could be sold commercially and then replaced with the lower value item. Although this may be possible in some situations it would often not be the case as usually there are enforceable or even just tacit restrictions or prohibitions on selling the items for cash. For example a pharmaceutical manufacturer may donate surplus stock for distribution on express

condition that it not be sold. Or a landlord may permit an entity to use some office space without charge but would not necessarily consent to that entity then subletting the space, even without a formal bar on subletting existing within in a lease. Or the value the entity could achieve for the items after selling costs may not exceed the value of the alternative item. In the case of donated services it would often be unlikely that the entity would have the capacity or necessary consent to sell on the volunteer's time. Consequently we believe it is preferable to measure fair value at the value to the entity. This would avoid these problems while still requiring market valuation where this was appropriate. The value to the entity should also be easier to deduce than the cost to the donor which may not be accessible.

30. The fair value to the entity will vary depending upon the type of donation in question and detailed guidance for specific types of items, to the extent considered necessary or desirable, should be located within the SORPs rather than FRSPBE. However, it is important to be mindful of these situations in finalising the broad principles in the FRSPBE as some sectors are concerned that it may be onerous or impractical to implement the requirements for certain types of donations. For fixed assets the value to the entity may depend upon whether the entity has the capacity to sell it for a price in excess of the value of an equivalent item for which it could be substituted (the value in use). This is also likely to apply to donated goods used as consumables or donated onwards by the organisation, for example medical supplies for a charity providing medical services or channelling donated drugs to beneficiaries. However, this approach is not appropriate for inventories of goods held for resale. FRSME paragraph 13.4 establishes that inventory should be valued at the lower of cost and selling price less costs to sell. The purpose of this provision is to prevent the recognition of profits within inventory and therefore it would be inconsistent for the PBE to value these items at their retail value. What we believe the Board is attempting to achieve here is a substitute for the concept of cost in the context of non-exchange transactions. This is likely to be most appropriately captured by the replacement cost – the amount the entity would need to pay to replace the inventory items should there be a deficiency. This may be the open market value for the goods in question, but for second-hand items where a feasible commercial substitute may not be available, (particularly for low value items where a significant, comparable market may not exist commercially), this value may be negligible.
31. Cost / benefit considerations are also relevant here, particularly as it may not be possible reasonably to quantify the value of donations of second-hand goods. Not only is an annual stock-count likely to be required, an exercise that could be extremely onerous and difficult to accomplish, but the individual items would also need to be attributed with a value. Reasonable quantification already features within FRSPBE as a cost / benefit exemption for services (paragraphs 7.6, 7A.8 and 7A.10), it may be beneficial to extend it to this situation too. We urge the Board to listen carefully to the concerns of the sector in this area as entities that hold stocks of second-hand goods for resale are concerned that the requirement to value these items does not pass the cost / benefit test.
32. The accounting for donated services is another area causing concern for affected entities. We welcome the inclusion in paragraph 7A.8 of an exemption for situations where services received cannot be reasonably quantified, although as currently drafted it is not entirely clear how this cost/benefit exemption is applied by paragraph 7.6. In some situations the potentially onerous costs of time recording may not be outweighed by the informational benefits gained. In other situations it may be difficult to develop a meaningful measure of value to the organisation for each unit of service received, for example in circumstances where the services do not have a commercial equivalent. Consequently it is important that this point be clarified in the main text of section 7. The detailed application of these principles is a matter for the SORPs, but as a point forward we believe that for most services onward sale is not likely to be possible and therefore that the cost of a substitute to perform an equivalent service would be the appropriate measure where this is reasonably quantifiable.
33. We note that section 7 of FRSPBE is based upon section 24 of FRSME *Government Grants*. We agree that it is appropriate to apply the same principles to non-exchange transactions as

the usability of the document is enhanced by maintaining as much consistency as possible with the FRSME. We do however question the purpose of making an explicit reference to government grants in paragraph 7.1, particularly as neither the relationship between such grants and other non-exchange transactions is explained nor that grants from bodies other than government are acknowledged. Further guidance on grants in a PBE context may well be useful to help bring consistency in treatment across sectors, but it may be better for this to be located in a discrete section.

34. Paragraph 7.4(b) should distinguish between performance conditions and restrictions. Performance conditions should be defined in the glossary. On legacies, paragraph 7A.5 needs clarifying by removing the reference to 'probate', this term is unhelpful as recognition would not be expected to occur before the probate process had commenced. It is important that this paragraph be reviewed alongside the FRSME definition of an asset to ensure that the paragraph 7.4(b) requirement is consistent with the FRSME asset concept.

### Heritage assets

**Q11: Do you agree with the proposals for heritage assets and in particular the proposals for recognising subsequent movements in valuation of heritage assets in other comprehensive income?**

35. We agree with this proposal and that the requirements on heritage assets should be included in FRSME rather than FRSPBE.

### Development of the [draft] Financial Reporting Standard for Public Benefit Entities

**Q12: Do you believe the future issues that may be considered following finalisation of this draft Standard as set out in paragraph 4 of Section IV are appropriate? Are there any additional matters which you believe should be included on the agenda for future updates to this draft Standard?**

36. Narrative reporting and the format of primary financial statements are subjects that are very important to public benefit entities. However, we feel that these are best dealt with in the SORPs and therefore we welcome their exclusion from this exposure draft.
37. We do feel that guidance on fund accounting could also be usefully included in FRSPBE. Given that the purpose of the standard is to bring commonality in treatment among public benefit entities it would be beneficial to also include this topic. The chapter could be based upon the current requirements of the charities SORP, while having reference to trust law.

**Q13: Do you believe that further guidance is required to interpret the indicators of control included in Section 9 Consolidated and Separate Financial Statements of the draft Financial Reporting Standard for Medium-sized Entities (FRSME)?**

38. There has been recent debate about the context in which non-PBE parents have control over PBEs, and in particular charities, so this is not an issue that is restricted to PBEs controlling other entities (whether PBEs or not). The main issue requiring guidance therefore seems to be whether a putative parent should consolidate a PBE and such guidance would be appropriate for the FRSME as much as the FRSPBE. In situations where a PBE operates for the benefit of other beneficiaries and therefore not directly its parent, consolidation has nevertheless followed where the subsidiary has been deemed to be controlled and directed by the parent and its activities further the objectives of the parent. The ASB will need to consider whether the principles of the FRSME are already sufficient or whether some additional material is required. There is an argument that the consolidation principles already existing in UK GAAP are being applied successfully and therefore further guidance is not necessary.

**Q14: Do you believe that the requirements of this draft Standard should be extended to entities that apply the FRSSE?**

39. The majority of PBEs by number qualify as small and therefore it is imperative that a clear and stable regime is in place for smaller entities. In particular these entities are likely to be disadvantaged by any protracted period of change and uncertainty. Change, when it comes, would be better to be contained within a coherent and definite package such that once implementation has been completed small entities will be able to benefit from a stable platform. In our response on FREDs 43 and 44 (ICAEW REP 52/11) we urged the Board to consult as soon as possible on the future of the FRSSE and we believe that the needs of PBEs should be carefully considered as part of this exercise.

**E** [john.boulton@icaew.com](mailto:john.boulton@icaew.com)

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