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Dear Grant

## **FRED IMPROVEMENTS TO FINANCIAL REPORTING STANDARDS 2010**

1. The ICAEW welcomes the opportunity to comment on the FRED *Improvements to Financial Reporting Standards 2010* published by the Accounting Standards Board in June 2010.
2. The ICAEW 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, we provide leadership and practical support to over 134,000 members in more than 160 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. We are a founding member of the Global Accounting Alliance with over 775,000 members worldwide.

**Question 1: The proposals set out in this FRED seek to implement the amendments made by the IASB from its annual improvements project, amendments arising from other changes made by the IASB to IFRSs, and amendments specific to FRS. Do you agree with the ASB proposals for the implementation of these changes to UK and Irish FRS? If not, please explain why.**

3. We agree that convergence should be maintained between UK and International Financial Reporting Standards and consequently we support publication of *Improvements to Financial Reporting Standards 2010*. We do however, have some specific observations on the amendments to FRS 8 and FRS 29:

### **Related party definitions should be revised to agree with IAS 24**

4. The definition of 'close family' contained in paragraph 2.1 of FRS 8 is inconsistent with that contained in IAS 24 *Related Party Transactions*. In addition, the definition of 'acting in concert', contained in paragraph 2.4 is now irrelevant as this does not form part of the new definition of a related party. This definition should therefore be deleted. We would also suggest that paragraphs 10-12 of IAS 24, which provide further clarification on the definitions, should be replicated in FRS 8. These issues are not addressed in the FRED, but in our opinion should be included in the 2010 annual improvements project.

### **Explanation section paragraphs 11 -15 are redundant**

5. We would suggest that as a further annual improvement, paragraphs 11 to 15 of the explanation section should be deleted. These provide guidance and interpretation of the old definition of a related party and are now obsolete. While it might be argued that some of the wording may still be relevant and useful, it could be interpreted as 'gold plating' the legal definition of a related party and

run the risk of creating a GAAP difference with IAS 24. Some parts of the explanation are clearly obsolete such as para 11 referring to an individual or entity acting in concert with another party which does not feature in the IAS 24 definition.

6. In addition, the Board may wish to consider deleting the old definition of related parties from the summary of the standard at paragraph b, and the details on exemptions in paragraphs c and d which have now been superseded.

**Key Management Personnel do not require definition in FRS 29**

7. We do not believe that a definition of Key Management Personnel should be included in FRS 29. This definition has already been given in FRS 8. It would be preferable to refer to the FRS 8 definition than to replicate it in a different standard.

**Question 2: The ASB considers that the benefits of implementing the proposals in this FRED will 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.**

8. We agree that the benefits of implementing the FRED proposals will outweigh the costs involved. The FRED maintains consistency between FRS 29 and IFRS 7; this has the benefit of allowing users to better compare the financial statements of UK GAAP reporters with those applying IFRS. The amendment to SSAP 25, by extending the disclosure exemption in paragraph 4, will benefit subsidiaries of parents disclosing segmental information under IFRS 8 *Operating Segments*. We note however, that comparability could be further improved through the full convergence of the FRS 8 related party definition with that contained in IAS 24 *Related Party Disclosures*.

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

Yours sincerely

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