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Dear Ms Carter,

Periodic review of FRS 102

RSM is a leading audit, tax and consulting firm to the UK middle market, with over 3,600 partners and staff operating from 35 locations throughout the UK. We welcome the opportunity to comment on the FRC's request for views to inform the periodic review of FRS 102.

Alignment with changes in international standards

The premise for our comments in appendix 1 is our view that FRS 102 recognition and measurement should be aligned with IFRS, with some simplifications for small entities and other entities for whom IFRS-alignment would not be relevant to users of their financial statements.

IFRS alignment reduces the need for detailed guidance in FRS 102 as preparers can 'look to' the application guidance and illustrative examples in IFRS. It also allows comparability with entities applying IFRS.

We therefore broadly support the introduction of the basic principles underlying IFRS 15, IFRS 16 and IFRS 9 together with areas of clarification within those standards that we consider would benefit entities applying FRS 102. There are some areas within these standards that could be simplified under FRS 102 or only applied to certain types of entity, for example the expected credit loss model is in our view only relevant to financial institutions.

Appendix 1 details our thoughts on IFRS 15, IFRS 16 and IFRS 9, including cumulative catch-up/modified retrospective provisions and disclosures.

Our thoughts on the impact of IFRS 16 on small entities is noted in appendix 3.

How FRS 102 is working in practice

We consider that FRS 102 is generally working well in practice, however there are some areas where further clarity and guidance would be useful. In appendix 2 we set out our comments on these areas of FRS 102 recognition and measurement in relation to business combinations and government grants. In addition, appendix 2 includes other matters we would like to raise for consideration in relation to going concern, uncertain tax positions and cash flow classification, together with more general views on the benefits of presentation and disclosure principles, and a mechanism to provide practical application guidance within or alongside FRS 102.

Small entities

Regarding the application of FRS 102 to small entities, if right of use lease assets are recognised on balance sheet this risks the unintended consequence of some entities no longer being able to claim small companies exemptions if they breach the Companies Act gross assets limit.

Additionally, the types of share-based payments used by small entities to incentivise, motivate and retain staff are becoming increasingly complex. Accordingly, we would welcome some practical exemptions for small entities in this area to balance the cost of obtaining fair values with the needs of users of small entity financial statements.

Micro entities

We have no comments on the recognition and measurement in FRS 105. Similar to the process adopted to align FRS 102 with IFRS developments, we would support a delay in considering changes to FRS 105 until concepts have been put into practice by preparers applying FRS 102.

Appendix 3 provides more detailed feedback in respect of small and micro entities.

Company law

Some issues raised in this letter may require changes to company law. We appreciate that these fall outside the scope of this request for views but consider certain changes in the longer term would be of benefit to both preparers and users of financial statements.

Sector specific views

Alignment to IFRS 16 will bring challenges to particular sectors such as academy trusts, as they are not allowed to have external borrowings so there is no 'benchmark' they can use for IBRs, and charities, which may end up with 'undervalued' right-of-use assets due to very low contractual lease payments.

Appendix 4 provides more detail on these other sector specific views including revisions we would welcome in relation to retirement benefit plans.

Should you wish to discuss any matters included in this letter, please contact Danielle Stewart OBE, head of Financial Reporting at Danielle.StewartOBE@rsmuk.com.

Yours sincerely

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Appendix 1 – Alignment with changes in international standards

Revenue (IFRS 15)	
Incorporating the five-step process	Whilst we don't suggest the entire requirements and guidance in IFRS 15 be incorporated into FRS 102, as we appreciate the need to balance brevity and usefulness, we do support incorporating IFRS 15's five step process into the standard. Although IFRS 15 can be challenging to implement, its model and five step process do provide a logical robust framework for entities to work with. Furthermore, the model is much more current in terms of how revenue transactions are contracted for than the risks and rewards model of IAS 18, on which section FRS 102 is based. Despite the availability of FRS 101, many subsidiaries still report under FRS 102, particularly those with US parents. Having a consistent framework for arguably one of the most important line items in the financial statements would reduce the need for GAAP consolidation adjustments. Similarly, for other FRS 102 reporters, a consistent framework would aid comparability with peer entities applying FRS 101, IFRS or US GAAP. With an IFRS-consistent model and framework, less areas should be left to judgement and as outcomes in recognising revenue should be similar, FRS 102 preparers could legitimately look to IFRS 15, including its basis for conclusions, for additional guidance without the concern for how that guidance might be impacted by GAAP differences.
Areas of additional guidance	We have considered the costs and benefits of including more prescriptive guidance in FRS 102 based on the experiences of IFRS reporters that have transitioned from IAS 18 to IFRS 15. The suggestions below represent areas where FRS 102 preparers have resorted to IFRS 15 for guidance due to a lack of detail and examples in FRS 102.
Unbundling	We note that respondents to the 2017 Triennial Review did not see the lack of unbundling guidance as causing any notable implementation issues. However, our experience is that it is often necessary to look to IFRS 15 for guidance and/or to consider whether the outcome under FRS 102 is consistent with the outcome under IFRS 15. Our view is that the IFRS 15 unbundling principles around identifying the goods/services promised to the customer and whether they are distinct should be considered when incorporating IFRS 15's model and five step process into FRS 102. However, guidance accompanying these principles should be simplified to make them easier to apply in practice.
Criteria for recognition over time	We would recommend the inclusion in FRS 102 of the three criteria in IFRS 15 paragraph 35 as factors for determining revenue recognition over time, with some considerable rewording. For example, 'does not create an asset with an alternative use' could be expressed more clearly using terminology in IFRS 15 BC135 to BC137 along the lines of 'the asset created by the entity's performance cannot be readily substituted or redirected to another customer due to substantial customisation, significant cost or legal restrictions'.

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Revenue (IFRS 15) *continued*	
Licensing and variable consideration	The licencing guidance in IFRS 15 has proved to be immensely useful when considering recognition of revenue from licences, particularly software licenses. It is also one of the areas where revenue recognition changed the most for IFRS reporters when they transitioned from IAS 18 to IFRS 15. Thus, incorporating some of the licencing guidance into FRS 102 would in our view be worthwhile. Similarly, the variable consideration guidance, particularly in respect of contingent consideration, is another area where the IFRS 15 guidance is useful and could be incorporated into FRS 102.
Costs to obtain a contract	Much of the existing guidance for recognising costs is contained in the construction costs section of Section 23 Revenue, but can have wider application. Inclusion of specific requirements along the lines of those in IFRS 15 for costs to obtain a contract would provide a principle to facilitate wider application to all revenue contracts. This principle could then be applied to contracts involving contingent/variable consideration, such as professional services provided under a contingent fee arrangement, for which there is currently no guidance in FRS 102 on how to treat any associated costs.
Costs to fulfil a contract	Some of the IFRS 15 criteria for recognising an asset in relation to costs to fulfil a contract have proved difficult to apply such as: • IFRS 15.95(b) that the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and • IFRS 15.98(c) to expense costs that relate to satisfied performance obligations (or partially satisfied performance obligations). In our view the inclusion of these criteria would add an unnecessary layer of complexity in FRS 102 which would require additional guidance or illustrative examples to avoid divergent application. However, we would recommend the FRC develop criteria for the recognition of pre-contract/ setup costs, as it is difficult to assess these using the 'asset' definition and recognition principles in FRS 102.
Objective-based disclosures	IFRS 15's objective-based disclosures are more useful and regarded as one of the most significant improvements compared to IAS 18 – with most IFRS reporters providing more comprehensive and understandable accounting policies, and information about types of revenues and the significant judgements applied. In contrast, accounting policies under FRS 102 tend to be boilerplate and less informative. We would therefore support an objective-based principle for disclosures in FRS 102 for broad areas such as details about the performance obligations, how the transaction price has been determined and allocated and when revenue has been recognised.

Leases (IFRS 16)	
All leases 'on balance sheet'	We would support adoption of the single model in IFRS 16 on accounting for leases by lessees, to include all leases on the balance sheet as a right of use asset and a lease liability with the same exemptions for low-value or short-term leases. We would also welcome specific guidance for group situations, and arrangements between related parties which may be more informal. We have set out in appendix 4 how this may affect particular sectors. We appreciate that this could potentially be burdensome on specific sectors, such as charities. We would suggest some simplifications in the areas below:
Incremental borrowing rate	FRS102.20.20 already states that if the present value of the minimum lease payments cannot be determined, the lessee's incremental borrowing rate should be used. However, unlike IFRS 16 the FRS 102 definition of 'incremental borrowing rate' (IBR) includes the rate on a similar lease. Retaining the current definition in FRS 102 would be helpful. Given the additional number of leases on balance sheet and therefore the need to identify more IBRs we would also support further simplifications, such as to permit the use of a group borrowing rate.
Right of use asset impairment	We would propose that specific requirements be included in FRS 102 to simplify how the right of use asset is tested for impairment. This could include treatment of the lease liability, which cash flows to exclude / include and factors to consider in determining the discount rate.
Lease modifications	The lease modification requirements in IFRS 16 are complex. We would therefore support simplified requirements in FRS 102 for how lease modifications should be accounted for. Practical expedients were permitted in IFRS 16 due to covid-related rent concessions and their impact on lessee/lessor relationships. Whilst we appreciate this addressed specific circumstances arising from the pandemic, some practical expedients in this area would simplify the requirements in FRS 102 for the much broader range of entities that use it.
Intra-group leases	If the principles of IFRS 16 are introduced, some preparers may consider the cost of applying lease accounting to intra-group leases, such as for a factory leased to a subsidiary, would outweigh the benefit derived from comparability to similar entities, particularly when the right of use asset and lease liability eliminate on consolidation, and/or the primary users of the subsidiary accounts are restricted to group members. Therefore, we would encourage the FRC to consider further outreach on any possible simplifications and guidance whilst retaining the integrity UK GAAP. For example, we would support simplifications and additional guidance to help interpret what constitutes a lease between group members as well as the incremental borrowing rate on group leases, rather than introducing an exemption as the latter would introduce a lack of comparability between similar entities that rent from a group member or a third party.
Impact on small entities	Our thoughts on the impact of IFRS 16 on small entities is noted in appendix 3.

Financial Instruments (IFRS 9)	
Expected credit loss model for 'financial institutions'	We would support the introduction of an expected credit loss (ECL) model for financial institutions (as defined in FRS 102) as their financial assets are generally recovered over longer time periods and priced using forward looking information. However, given the shorter financial asset collection periods of most non-financial institutions, the increased measurement uncertainty and cost of implementing an ECL model would in our view not provide additional benefits to users of their financial statements.
Business model and SPPI criteria for financial assets	Whilst the inclusion of paragraph 11.9A in the last Triennial Review introduced a principle for classifying financial instruments we would support further alignment with the business model and 'SPPI' criteria in IFRS 9. However, for simplicity we would support a two-tier model of amortised cost and fair value through profit or loss rather than the three-tier model, including fair value through OCI, in IFRS 9. The assessment of the business model would then be based on whether the primary objective was to collect contractual cash flows or to sell the financial asset.
Interaction with Company Law	We would support alignment with the IFRS 9 exemptions from fair value measurement for financial liabilities with closely related embedded derivatives accompanied by changes to company law to permit fair value measurement of financial instruments under FRS 102. Full alignment with IFRS 9 would remove the additional requirement to assess the IFRS measurement criteria for compliance with company law without an unintended consequence of fair value measurement being required under FRS 102 when it is not required by IFRS.
Reassessment of terms	To prevent the classification of financial instruments being clouded by events that are extremely rare, highly abnormal, and very unlikely to occur, we would support the incorporation of the 'not genuine' consideration in IFRS 9 alongside clarification that FRS 102 'basic' criteria can be reassessed if terms cease to apply, for example when an option expires. This would align the accounting for similar instruments based on current rather than expired historic terms.

Cumulative catch-up and disclosures	
Alignment with IFRS transition and disclosures	We would support a cumulative catch-up/modified retrospective option for any elements of IFRS 9, IFRS 15 and/or IFRS 16 which are introduced into FRS 102. Such an approach should in our view also be accompanied by additional disclosures based on those in the IFRS standards.

Appendix 2 – How FRS 102 is working in practice

Business Combinations	
Group reorganisations	FRS 102's conditions for the non-controlling interest, equity holders and their relative rights being unchanged can be unnecessarily restrictive and prohibit use of merger accounting for some group reorganisations where it would provide more relevant information. Allowing the merger accounting conditions in FRS 102 to be applied to other arrangements would permit its use in group reorganisations that are more aligned with increasing a controlling interest or a disposal where control is retained and therefore provide more faithful presentation. For example, permitting the use of merger accounting even when there is no one controlling party; allowing a de minimis threshold for minor changes in shareholders' interests while preserving the protection of NCI; and where there is a group restructuring to facilitate an exit of a non-controlling shareholder which is in substance no different to repurchasing shares held by the exiting shareholders, were it not for the addition of a new holding company.
Definitions of 'control' & 'business'	Alignment of the definition of 'control' with IFRS 10 but without the complex requirements for investment entities would be welcome. In applying IFRS 10's definition of control, we recommend a relief from considering the rest of the definition when it is clear that the entity has control by virtue of voting rights. Applying the definition of a 'business' as recently amended in IFRS 3 would assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.
Contingent consideration linked to service, pre-existing relationships and share-based payments	In our experience, many preparers look to IFRS for guidance on dealing with complex issues such as contingent consideration linked to service, pre-existing relationships and share based payments. These arrangements are not uncommon in acquisitions and yet there is a lack of guidance in FRS 102. However, whether to look to IFRS or indeed even applying IFRS 3 can give rise to inconsistencies in accounting by entities applying FRS 102. For example, in the absence of specific guidance GAAP has developed to argue there is a rebuttable presumption under FRS 102 that contingent consideration linked to service that is automatically forfeited on termination of employment is remuneration for post-combination services. Incorporating some of the guidance in IFRS 3 on these areas would result in more consistency. Furthermore, for a business combination in which the acquirer and the acquiree (or its former owners) exchange only equity interests, IFRS 3.33 allows the acquirer to determine goodwill using the acquisition-date fair value of the acquiree's equity interests instead of the acquisition-date fair value of the equity interests the acquirer has transferred. Acquirers applying FRS 102 are typically unlisted entities who currently have to obtain or perform additional fair value calculations solely to meet the FRS 102 accounting requirement to fair value the equity interests transferred. In our view FRS 102 preparers should not be burdened with this additional accounting cost in comparison to IFRS preparers. We would therefore welcome the inclusion of this measurement alternative within FRS 102 in at least the same circumstance as IFRS, ie where 'the acquisition-date fair value of the acquiree's equity interests may be more reliably measurable than the acquisition-date fair value of the acquirer's equity interests' but perhaps also in broader circumstances such as for acquirers that are 'small'.

Government Grants	
Consistency with IFRS & the performance model for PBEs	The accounting for Covid-19 government support has highlighted the need for simplicity and consistency with IFRS as considerable time was spent analysing differences between the performance and accrual model for each class of grant. We appreciate the performance model is regularly used by public benefit entities, and so suggest making this option applicable only to PBEs by having the paragraph numbers prefixed with 'PBE', thus improving consistency with measurement under IFRS for grants received by other types of entity.

Other matters for consideration	
Going concern alignment with IAS 1	Per the extracts below, the wording used in FRS 102 for material uncertainties related to going concern differs from the wording in IAS 1. • FRS 102 (3.9) *"When management is aware, in making its assessment, of material uncertainties related to events or conditions **that cast** significant doubt upon the entity's ability to continue as a going concern…"* • IAS 1.25 *"When management is aware, in making its assessment, of material uncertainties related to events or conditions **that may cast** significant doubt upon the entity's ability to continue as a going concern…"* Aligning FRS 102 with IAS 1 would also achieve consistency with the auditing standard, ISA 570.
Uncertain tax positions – IFRIC 23	We would welcome incorporation of the principles in IFRIC 23 'Uncertainty over income tax treatments' into FRS 102 to provide guidance in this area.
Cash flow classifications	The classification of cash flows between operating and financing activities could be clarified by incorporating the guidance in IAS 7 that only expenditures which result in a recognised asset are eligible for classification as investing activities.
Disclosure principles	FRS 102 has disclosure principles for some areas, such as income tax. We would suggest including disclosure principles for other complex and/or judgemental areas such as defined benefit schemes and share-based payments to provide a framework for additional disclosures by larger entities, without imposing disclosure requirements on smaller entities that may not be relevant to users of their financial statements. We would also support the adoption of this approach when incorporating IFRS changes into FRS 102, for example for IFRS 9, IFRS 15 and IFRS 16.
GAAP guidance review	In areas where FRS 102 lacks guidance the GAAP literature has filled that void. We would encourage the FRC to commission a literature review of areas where FRS 102 could be improved to bridge the gap of knowledge between GAAP guidance books and FRS 102. We would encourage an equivalent mechanism, perhaps using the staff education notes, to provide guidance on areas of practical application and examples of how the principles of FRS 102 apply in specific circumstances. Examples where this type of guidance could be useful are accounting for growth shares, splitting financial instruments between debt and equity, deferred taxation on business combinations and use of the hybrid accounting method in group reorganisations. This mechanism could also be used for sector-specific guidance, for example on the classification of social bonds used in the education sector.

Appendix 3 - Small and micro entities

Small entities	
Companies Act size criteria	If right of use lease assets are recognised on balance sheet this risks the unintended consequence of some entities no longer being able to claim small companies exemptions if they breach the Companies Act gross assets limit. We would suggest the FRC conduct some further research to determine the impact of the implementation of IFRS 16 on small entities qualifying for exemptions from financial reporting (including the requirement to prepare consolidated financial statements), narrative reporting, and audit requirements.
Simplifications for certain equity-settled share-based payments	We would support a practical exemption for small entities from the recognition and measurement requirements of FRS 102 for equity settled share-based payments that contain market conditions. Small entities often do not have inhouse financial reporting or valuation expertise and the cost to engage a valuation expert to review their unique share option agreement and then advise on and apply an appropriate model to value those options can be higher than the cost to prepare all other areas of the annual accounts. The equity-settled share-based payment charge simply flows through the accounts with no impact on net assets during the vesting period. Therefore, such transactions have no bearing on the filleted financial statements lodged at Companies House and on public record to be used by 3rd party stakeholders. We do however believe that disclosure is fundamental for current investors to know how much their interests will be diluted, and for future investors to be aware of the existence of such options.
Encouraged disclosures	To provide additional context to paragraph 1A 16, we would recommend that the sub-heading of appendix E with respect of encouraged disclosures is amended to "additional disclosures encouraged for small entities which may be necessary to show a true and fair view".

Micro entities	
Entities prohibited from using FRS 105	There are some entities that are currently unable to use FRS 105 as they could be deemed to meet the definitions of an 'investment undertakings' or 'financial holding undertaking', when in fact they are simply family or personal investment companies. These entities face disproportionate costs for tracking deferred tax on unrealised gains which adds considerably to the accounting costs, in addition to the cost of measuring their investment portfolio at fair value. Including these types of entity within the scope of FRS 105 would allow them to report information relevant to users of their financial statements more cost-efficiently.
Recommended disclosures	We would welcome the inclusion of recommended disclosures in FRS 105 similar to appendix E of Section 1A of FRS 102, in respect of fundamental going concern issues, material prior period adjustments and fundamental exceptional items.
Micro entity primary statement formats	We support a change to primary statement formats to abolish micro formats in favour of small company formats.

Appendix 4 – Sector specific views

Retirement Benefit Plans	
Section 34 and other areas of FRS 102	The following comments relate to the specific requirements for Retirement Benefit Plans: Financial statements under FRS 102 paragraphs 34.34 to 34.48. Comments are also made in respect to other areas of FRS 102 which are not currently addressed within Section 34: Specialised Activities in respect of Retirement Benefit Plans, but that we would ask that the FRC consider addressing by adding to the Retirement Benefit Plan specific requirements and/or modifications to the general requirements. The areas that we would welcome amendment in future revisions of FRS 102 are as follows:
Risk disclosures	Paragraphs 34.43 to 34.45 of FRS 102 include disclosure requirements in respect of credit and market risk. The paragraphs themselves largely mirror the disclosure requirements of Financial Institutions for such risks under FRS 102. Since the introduction of FRS 102 there have been significant developments in the regulatory reporting requirements for pension schemes to disclose additional information in their annual report in relation to the determination and implementation of investment strategies and whilst these are not directly related to financial reporting, they do provide significant additional information linked to certain investment risks for users of the annual reports of pension schemes. We feel that this information, whilst clearly appropriate for financial institutions, is of little benefit to the users of retirement benefit plan financial statements and the cost of compliance is disproportionate to the value of the information. As identified in 'Financial Reports of Pension Schemes: A Statement of Recommended Practice' the primary users of retirement benefit plan financial statements are the trustees of the plan, the members, the plan actuary, the sponsoring employer and The Pensions Regulator. Under their fiduciary duty, the trustees should be monitoring and assessing investment risk on a 'real time' basis, and not be reliant on the financial statements to inform this risk assessment. For defined benefit schemes, the sponsoring employer and scheme actuary will both be involved in the creation of, and The Pensions Regulator aware of, the Statement of Investment Principles which in part manages the acceptable level of risk that trustees can expose the scheme to. Members are not directly impacted by the investment risk in a defined benefit arrangement which is borne by the sponsoring employer. In a defined contribution arrangement, investment risk is controlled by members in accordance with their risk appetite and will not be homogenous across the scheme. As members bear the investment risk in a defined contribution arrangement, the other users of the financial statements are not anticipated to be influenced by any such disclosures. In the interest of financial statements including concise, relevant information for users, we would ask that the FRC consider whether the credit and market risk disclosure requirements could be removed or simplified for retirement benefit plans.

Retirement Benefit Plans *continued*	
Recognition and valuation of annuity policies and other liability driven investments	FRS 102 introduced the requirement to recognise all annuity policies held in the name of retirement benefit plans in the statement of net assets. Prior to the introduction of FRS 102 certain annuity policies were disclosed in the financial statements of pension schemes but not recognised. Annuity policies and other liability driven investments are fundamentally designed to match full or partial future promised retirement benefits for an agreed population. In the employer accounts the valuation of annuity policies will generally reflect the present value of the future benefit that they cover, and therefore the asset (the annuity policy) and the liability (the future promised retirement benefit) should offset in full in the sponsoring employer's financial statements. However, retirement benefit plan financial statements only present the net assets available for benefits. The most significant liability – information about the actuarial present value of promised retirement benefits – is disclosed in the annual report in accordance with FRS 102 paragraph 34.48 but otherwise omitted from the financial statements. Under FRS 102, trustees need to enter into the expense of valuing annuity policies for inclusion in the financial statements and incur the additional audit costs required to audit such valuations. One of the common reasons trustees purchase annuity policies is to simplify and safeguard their future obligations, and the key de-risking benefit is that regardless of how a future promised retirement benefit obligation actualises, the annuity policy will provide funding to cover liabilities. Therefore, the benefit to the scheme is not the fair value of the annuity policy, but its very existence. The fair value recognised for the annuity policy, and the changes reported in its fair value add little value to a user of the financial statements as they will offset an (unrecognised) equal and opposite liability. On this basis, we would ask the FRC to consider removing the requirement to recognise annuity policies in the statement of net assets and instead introduce additional disclosure requirements in respect of annuities for retirement benefit plans. We feel that disclosure of the existence of such policies and the future promised retirement benefits they are designed to match gives users all the necessary information to form their judgements on the financial statements, with the lower cost of compliance providing a clear, direct benefit to members without increasing risk to any other users of the financial statements.

Retirement Benefit Plans *continued*	
Going concern disclosure	Retirement benefit plan financial statements present the net assets available for benefits. The most significant liability – the actuarial present value of promised retirement benefits – is disclosed, as per FRS 102 paragraph 34.48 but otherwise omitted from the financial statements. As summarised in 'Financial Reports of Pension Schemes: A Statement of Recommended Practice' ('the SORP'), the actuarial valuation and related report is the primary source of information for users as to the scheme's current solvency position and broadly whether or not the scheme will be able to meet the benefit promises, subject to (where necessary) the continued support of the sponsoring employer. The financial statements themselves do not enhance this information, beyond setting out the assets held and value at a point in time. By its very nature, this financial information is backwards looking and does not provide any guarantees about the ability of the scheme to meet its future obligations. For a defined contribution arrangement, the concept of solvency does not apply in the same way, as benefits ultimately paid will equal the funds available. For these reasons, the SORP acknowledges that the going concern concept does not play the same fundamental role in the measurement and classification of assets and liabilities as it would for other commercial entities, or other entities within the scope of Specialised Activities. Recent changes to ISA (UK) 570: Going Concern as well as the wider economic environment, including COVID-19 and Brexit, have seen an unprecedented increase in the time and cost incurred by trustees and auditors in assessing the ability of retirement benefit plans to continue as a going concern. Much of this cost is incurred in respect of the judgements around the ability of the sponsoring employer to continue to support the scheme i.e., the assessment focuses on whether the sponsoring employer is a going concern. Due to the statutory filing deadline for corporate accounts exceeding the statutory deadline for the preparation of pension scheme accounts, it is not uncommon for trustees to have to decide whether to breach their regulatory responsibilities and await audited sponsoring employer accounts to understand the judgements and conclusions in respect of the sponsoring employer's ability to continue as a going concern, or to perform the going concern assessment themselves, with challenge from their auditor, albeit with limited rights to access the necessary information from the sponsoring employer. We do not perceive that the benefits of the going concern disclosure required under FRS 102 for retirement benefit plans outweigh the costs and practical challenges of trustees preparing detailed going concern assessments for their plan. As such, we would welcome the FRC's consideration as to whether a paragraph could be added into Section 34 in respect of retirement benefit plans stating as a default position pension scheme accounts are prepared on a going concern basis (with no further disclosure required) unless a decision has been taken to wind up the retirement benefit plan.
Small retirement benefit plan provisions	We recognise that FRS 102 includes provisions under Section1A for small entities as defined in the Glossary to FRS 102. We would ask that the FRC consider introducing the concept of 'small retirement benefit plans' along with a reduced financial reporting burden for such entities. In the event that the above suggestions in respect of credit and market risk disclosure, the application of going concern basis of preparation and the recognition and measurement of annuities are not acceptable to the FRC for all retirement benefit plans, we would ask whether consideration of these changes could be made for 'small retirement benefit plans' only. We perceive these as

	areas where the financial reporting burden could be reduced for such entities with minimal loss of value to users.
Other sector specific views	
IFRS 16	For some scenarios, the principles in IFRS 16 will remove divergent accounting practices, such as the accounting adopted when an academy trust occupies a property legally owned by a church diocese. However, elements of IFRS 16 will also bring challenges to particular sectors such as determining an IBR for academy trusts which are not allowed to have external borrowing or overdrafts. Additionally, for some charities which have low contractual rents equating the ROU asset to the lease liability would 'undervalue' the asset.
PFI Contracts	Further guidance would be useful on factors to be considered by academy trusts in assessing whether to recognise an asset when they occupy premises which are subject to a private finance initiative (PFI) contract with a third party, private sector contractor.