

Future of Irish/UK GAAP

- Impact for Fund entities

Funds Forum 19 September, 2012

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Irish Auditing & Accounting Supervisory Authority

Principal Functions of the Financial Reporting Supervision Unit of IAASA

- Accounting enforcer in Ireland
- **Co-operating in the development of accounting standards and practice notes**
- Assisting the Board to discharge its functions as an advisor to the Minister on accounting related matters



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Disclaimer and confidentiality

Disclaimer

The views expressed are mine and do not necessarily reflect the views of the Board, individual Board members or the staff of IAASA

Section 31

- No person shall disclose, except in accordance with law, information that –
- a) is obtained in performing the functions or exercising the powers of the Supervisory Authority, and
 - b) has not otherwise come to the notice of members of the public...

Certain exemptions provided for in law



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Presentation overview

- Recap on the current accounting regimes operating in Ireland
- 2010 proposals on future of Irish/UK GAAP
- 2012 proposals on the future of financial reporting in the UK and Republic of Ireland
- Update on where the current debate is at
- Impact for fund entities



Re-cap on current accounting regimes operating in Ireland

- International Financial Reporting Standards
- UK/Irish GAAP
- Alternative Bodies of Accounting Standards



The Future of Irish/UK GAAP: The Debate So Far

- ASB (now AC of FRC) has consulted ...extensively
 - March 2004 Discussion Paper
 - March 2005 Policy Statement Exposure Draft
 - January 2006 Public Meeting and Proposals for Comment
 - May 2006 Tentative Proposals
 - April 2007 IASB's proposed IFRS for SMEs
 - August 2009 Policy Proposal: The Future of UK GAAP
 - October 2010 FRED: The Future of Financial Reporting
 - March 2011 FRED: Public Benefit Entities
 - January 2012 Revised FRED: The Future of Financial Reporting
- **Strong and consistent view that two different accounting frameworks cannot be sustained**



What did 2010 FRED propose? Summary from an Irish perspective

Accounting Framework	Accounting Regime	Type/Nature of Entities	Potential implications for...
IFRS	IFRS (EU Endorsed)	•EU listed –consolidated accounts •IEX listed	•No change
Converged Irish/UK GAAP	IFRS (EU endorsed)	•Publicly accountable entities, including 100% publicly accountable subsidiaries	•Irish Debt and Fund listed entities; •Building societies; •Friendly societies; •Credit Unions
Converged Irish/UK GAAP	IFRS for SMEs	•Large and Medium Non-Publicly Accountable Entities (NPAs)	•NPA groups; •NPA entities; •NPA subsidiaries
Converged Irish/UK GAAP	FRSSE	•Small companies	•Small companies

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Deliberations on 2010 proposal: Publication of FREDs 46/47/48 in 2012

- The FREDs were published in January 2012
- Three-month comment period closed on 30 April 2012
- Radical changes to 2010 FRED

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Changes from 2010 proposals Summary from an Irish perspective

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Converged Irish/UK GAAP	IFRS for SMEs FRS 102	•Large and Medium Non-Publicly Accountable Entities (NPAs)	•NPA groups; •NPA entities; •NPA subsidiaries
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Reduced disclosure regime for qualifying entities

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2012 Proposals

- FRED 46 'Application of Financial Reporting Requirements' (Draft FRS 100)
- FRED 47 'Reduced Disclosure Framework' (Draft FRS 101)
- FRED 48 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (Draft FRS 102)



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Key facts about the proposals: What is FRED 47?

- FRED 47 sets out reduced disclosures for qualifying entities that otherwise apply the requirements of EU-adopted IFRS.
- A **qualifying entity** is a subsidiary or an ultimate parent.



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Key facts about the proposals: What is FRED 48?

- 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' is:
 - A standard based on the IFRS for SMEs (but deviates from it in material respects)
 - A single standard addressing all areas of accounting
 - To be updated in three year intervals.



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Some current deliberations on the final standard of relevance to Funds

- Extra disclosures for financial institutions
 - Intention is that fund and SPVs would be included
- Cash flow statement exemption to be extended to closed-ended funds
 - Provided entity prepares a statement of changes in net assets, the investments are highly liquid and carried at FV
- Half yearly financial reports to follow IAS 34
- Format of financial statements
- Financial institutions in a Group



Summary of main changes from current UK/Irish GAAP

Financial instruments - measurement

Financial instruments - disclosures



**Key facts about the proposals:
Effective date**

- Likely effective date of 1 January 2015
 - will be 18 months after issue of the FRS
- Early adoption will be permitted



Further Information

- Further information on IAASA and its activities may be obtained from:

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