



DRAFT AMENDMENTS TO FRS 100 - APPLICATION GUIDANCE - THE INTERPRETATION OF EQUIVALENCE

Issued 3 August 2022

ICAEW welcomes the opportunity to comment on FRED 80 *Draft Amendments to FRS 100 – Application Guidance – The Interpretation of Equivalence* published by the FRC in May 2022, a copy of which is available from this [link](#).

For questions on this response, please contact our Financial Reporting Faculty at frf@icaew.com quoting REP 63/22.

We agree that amendments to FRS 100 are necessary for consistency with company law and jurisdictional decisions about equivalence. While we are generally supportive of the proposed amendments, we believe that further guidance on equivalence could be provided in some instances.

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ANSWERS TO SPECIFIC QUESTIONS

Question 1 – Do you agree with the proposed amendments to the Application Guidance The Interpretation of Equivalence to FRS 100? If not, why not?

1. We agree that amendments to FRS 100 are necessary for consistency with company law and jurisdictional decisions about equivalence. While we are generally supportive of the proposed amendments, we believe that further guidance could be provided on the matters discussed below.
2. We have not considered the proposed changes relating to Irish entities and have therefore not commented on them in this letter.

Equivalence with the national GAAPs of EU member states

3. The current UK accounting framework was developed while the UK was a member of the EU and accounts prepared using it are therefore in accordance with the latest EU Accounting Directive.
4. The guidance in paragraph AG6 makes it clear that equivalence to another framework does not mean compliance with every detail of that framework and that strict conformity with each and every provision is not necessary. Many would therefore reasonably conclude that an EU parent's consolidated accounts prepared using its national GAAP would be sufficiently aligned with those prepared under Part 15 of the Act to be considered equivalent given that both are prepared in accordance with the EU Accounting Directive.
5. It would therefore be helpful to explicitly state in paragraph AG14 that equivalence can be assumed, subject to a caveat about future substantial changes to either Part 15 of the Act or the EU Accounting Directive. Doing so would provide not only clarity for preparers but also continuity of interpretation, which we believe is the intention.
6. Some might question whether the application of Member State options could undermine the conclusion that equivalence can be assumed due to both the UK and the EU accounts being prepared in accordance with the EU Accounting Directive. We suggest that further guidance on this matter is provided for the avoidance of doubt.

Share-based payment transactions

7. Paragraphs AG27-28 look at alternative measurement options for share-based payment transactions and again address the matter of equivalence.
8. While AG28 allows departure from strict conformity, it does require consideration of the particular facts, including the similarities to and differences from the requirements of the relevant standard. This could lead to some uncertainty about whether or not the treatment of such arrangements is considered to be equivalent in some instances.
9. There are known differences between how schemes with 'graded vesting' – eg, where shares vest at the end of years one, two and three – are accounted for under US GAAP and IFRS/FRS 102. While we believe that the accounting for such arrangements should be considered equivalent, for the avoidance of doubt, it would be helpful if the Board could provide further clarity on this matter as there are often UK subsidiaries of US groups with share-based payments at the US parent and the allocation of the costs could be materially different in some cases. This could, perhaps, be done by providing an example in the text.
10. While guidance on the meaning of equivalence in this context is helpful, there is a risk that including it within FRS 100 may be a distraction from the broader consideration of equivalence discussed above. As this guidance relates solely to the application of a specific paragraph of FRS 102, we suggest that it is relocated to that standard or the basis for conclusions that accompanies it.

Question 2 – In relation to the Consultation stage impact assessment, do you have any comments on the costs and benefits identified? Please provide evidence to support your views.

11. We have no specific comments on the costs and benefits identified.