

FRED 25 **Related Party Disclosures**

- ASB (i) Do you agree with the proposal to issue a new standard in the UK on related party disclosures, once the new IAS 24 is approved by the IASB?**

Yes we agree with the proposal.

- ASB (ii) Do you believe that the ASB should consider any transitional arrangements?**

No.

- ASB (iii) Do you believe that an accounting standard should require disclosure of the name of a controlling party and, if different, that of the ultimate controlling party? If the new IAS 24 does not require disclosure, do you believe that a new UK standard should require this disclosure as set out in paragraphs 13A and 13B of the [draft] FRS?**

We believe that the standard should require disclosure of the name of the controlling party and, if different, the name of the ultimate controlling party.

While we support the disclosure of controlling party information, absent any change to the proposed *IAS* 24, the new UK standard should not require this disclosure.

- ASB (iv) Do you believe that an accounting standard should require disclosure of the names of transacting related parties?**

We believe that the disclosure of the names of transacting related parties is not necessary for transactions entered into in the normal course of the business.

Guidance from current listing rules disclosure requirements may be appropriate in determining what level, if any, of related party transactions require the listing of names.

- ASB (v) Should the definition of related parties specifically refer to shadow directors? Should it also refer to persons acting in concert?**

No, we believe that the definition of related parties in the proposed IFRS covers shadow directors and persons acting in concert.

- ASB (vi) Do you believe that an accounting standard should specify that disclosure is required of *material* related party transactions and give more guidance on materiality in the context of such transactions?**

Materiality is a very difficult matter for the preparer of accounts to come to terms with in the absence of guidance. Yet guidance, if too specific in this standard may not achieve the aim of actually helping preparers of accounts.

Therefore we believe that guidance on materiality would be helpful but would caution against it being too specific.

ASB (vii) Are there any! other aspects of the draft standard that the ASB should request the IASB to review when finalising the revised IAS 24?

Yes . paragraph 3 on page 16 requires clarification. We are unclear as to what is meant by “separate financial statements of a parent or a wholly owned subsidiary that are made available or published with consolidated financial statements”. In Ireland, the only time financial statements of non-public companies are made available is when they are filed in the Companies Office which is often well after the date when the consolidated financial statements are published. In addition, filing of financial statements in the Companies Office is not required if the parent (or ultimate parent) guarantees the liabilities of the subsidiary and the parent’s (or ultimate parent’s) consolidated financial statements are filed in place of the subsidiary’s financial statements. This route is taken by many groups. The requirements of paragraph 3 would seem to change the existing practice set out in FRS 8 by requiring the disclosure of related party transactions in the accounts of many subsidiary company financial statements. We believe that the current exemptions set out in FRS 8 are reasonable and should be retained.

IASB (i) Do you agree that the Standard should not require disclosure of management compensation, expense allowances and similar items paid in the ordinary course of an entity’s operations (see paragraph 2)? ‘Management’ and ‘compensation’ would need to be defined, and measurement requirements for management compensation would need to be developed, if disclosure of these items were to be required. If commentators disagree with the Board’s proposal, the Board would welcome suggestions on how to define ‘management’ and ‘compensation’.

Yes

IASB (ii) Do you agree that the Standard should not require disclosure of related party transactions and outstanding balances in the separate financial statements of a parent or a wholly-owned subsidiary that are made available or published with consolidated financial statements for the group to which that entity belongs (see paragraph 3)?

Yes. See answer to ASB (vii) above.

FRED 27 Events after the balance sheet date

ASB (i) Do you agree with the proposal to issue a new UK standard on events after the balance sheet date, once the new IAS 10 is approved by the IASS and once the law is amended to permit its application?

We agree with the proposal to issue a new UK standards on events after the balance sheet date once IAS 10 is approved by the IASB and once the law is amended to permit its application.

ASS (ii) Do you believe that ASB should consider any other transitional arrangements?

No.

ASB (iii) Are there any aspects of the draft standard that ASB should request IASB to review when finalising the revised IAS 10?

We believe that the IASB should review the proposal not to recognise proposed dividends and dividends declared after the balance sheet date in the financial statements. We believe that if dividends are habitually proposed by the directors and accepted by the shareholders, a constructive liability to pay such dividends exists at the balance sheet date and that such a liability should be reflected in the financial statements.

We believe that paragraph 13 et seq on going concern should be left in place. As the ASB does not disagree with the paragraph on going concern, we believe that the omission of the paragraph on the grounds that it is contained elsewhere in ASB standards serves no purpose and introduces an unnecessary difference between the proposed IAS and the proposed IFRS.

**FRED 24 The Effects of Changes in Foreign Exchange Rates
Financial Reporting in Hyperinflationary Economies**

ASB (i) Do you agree with the ASB's proposed timetable for the implementation in the UK of standards based on a revised IAS 21 and IAS 29?

Yes

ASB (ii) Do you agree with the proposal not to include the IAS 21 provisions on the recycling of certain exchange gains and losses?

Yes we agree with this proposal.

ASB (iii) Do you agree with the proposal not to include any transitional arrangements in these UK standards?

Yes

IASB (i) Do you agree with the proposed definition of functional currency as "the currency of the primary economic environment in which the entity operates" and the guidance proposed in paragraphs 7-12 on how to determine what is an entity's functional currency?

Yes

IASB (ii) Do you agree that a reporting entity (whether a group or a stand-alone entity) should be permitted to present its financial statements in any currency (or currencies) that it chooses?

Yes

IASB (iii) Do you agree that all entities should translate their financial statements into the presentation currency (or currencies) using the same method as is required for translating a foreign operation for inclusion in the reporting entity's financial statements (see paragraphs 37 and 40)?

Yes

IASB (iv) Do you agree that the allowed alternative to capitalise certain exchange differences in paragraph 21 of IAS 21 should be removed?

Yes

IASB (v) Do you agree that

- (a) goodwill and**
- (b) fair value adjustments to assets and liabilities**

that arise on the acquisition of a foreign operation should be treated as assets and liabilities of the foreign operation and translated at the closing rate (see paragraph 45)?

- (a) In relation to goodwill on acquisitions we believe that goodwill should not be retranslated annually. Our view is that goodwill should be translated at the time of the transaction into the functional currency of the operation and remain at that fixed amount from then on. As it is subject to annual impairment review, its carrying value can be adjusted when appropriate.
- (b) We support the treatment of fair value adjustments as foreign currency items.