



**The Quoted
Companies Alliance**

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Peter Godsall
Accounting Standards Board
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17 February 2010

Dear Mr Godsall,

Policy Proposal: The Future of UK GAAP

INTRODUCTION

The Quoted Companies Alliance (QCA) is a not-for-profit membership organisation working for small and mid-cap quoted companies. Their individual market capitalisations tend to be below £500m.

The QCA is a founder member of European**Issuers**, which represents over 9,000 quoted companies in fourteen European countries.

The QCA Financial Reporting Committee has examined your proposals and advised on this response. A list of Committee members is at Appendix A.

You will see from our response below that we consider that both small fully listed companies and companies quoted on AIM and PLUS should be able to use IFRS for SMEs unamended rather than full IFRS as at present. We recognise that implementing such a change would require a change in the relevant EU regulation in respect of fully listed companies but consider the 'one size fits all' approach to financial reporting by EU listed companies is not appropriate given the vast difference in market capitalisation and size between Europe's leading global companies and smaller quoted entities.

RESPONSE

Thank you for the opportunity to respond to this consultation. As our members are required to prepare consolidated accounts which comply with EU adopted IFRS, these proposals will result in changes to the reporting requirements of the individual accounts of publicly traded companies as well as the accounts of subsidiaries.

Question 1 – *Which definition of Public Accountability do you prefer: the Board's proposal (paragraph 2.3) or the current legal definitions (paragraph 2.5)? Please state the reasons for*

your preference. If you do not agree with either definition, please explain why not and what your proposed alternative would be?

We would propose a definition of Public Accountability based on the Board's proposal but with an additional requirement for public companies to meet certain size criteria. This would result in smaller quoted companies listed on a regulated market in the EU having the option to use EU adopted IFRS rather than it being mandatory. We appreciate that this would also require changes to the current law in the UK and at EU level.

Question 2 – *Do you agree that all entities that are publicly accountable should be included in Tier 1? If not, why not?*

No, as discussed above we believe that small and mid-cap quoted companies should be included in Tier 2. We note the difference in the volume of EU adopted IFRS compared to IFRS for SME's and believe that the former is generally unnecessarily complicated for these types of companies.

Question 3 – *Do you agree with the Board's proposal that wholly-owned subsidiaries that are publicly accountable should apply EU adopted IFRS? If not, why not?*

We have no comments as this question is not generally relevant to our members.

Question 4 – *Do you still consider that wholly-owned subsidiaries that are publicly accountable should be allowed reduced disclosures? If so, it would be helpful if you could highlight such disclosure reductions as well as explaining the rationale for these reductions.*

We have no comments as this question is not generally relevant to our members.

Question 5 – *Do you agree with the Board's proposal that the IFRS for SMEs should be used by 'Tier 2' entities?*

Yes, we would agree with this proposal

Question 6 – *Do you agree with the Board's proposal that the IFRS for SMEs should be adopted wholesale and not amended? If not, why not? It would be helpful if you could provide specific examples of any amendments that should be made, as well as the reason for recommending these amendments.*

We would agree with the Board's proposal that the IFRS for SME's should not be amended as we believe this is the most cost-effective approach. We consider that having national variants on standards proposed by the IASB adds avoidable costs for the standard-setters, preparers and users. We also recognise that as we consider that smaller listed companies in the UK and other EU Member States as well as AIM companies, should be able to use IFRS for SMEs the only practical approach is for the unamended version to be applied by them.

Question 7 – *Do you agree with the Board's proposal that large Non-Publicly Accountable Entities should be permitted to adopt the IFRS for SMEs? Or do you agree that large entities should be required to use EU adopted IFRS? Please give reasons for your view.*

We agree that large entities should be permitted to adopt the IFRS for SME's as we believe it will provide users with all the necessary information and is more cost effective for the preparers.

Questions 8 – 14

We have no comments to make as these questions are not relevant to our members.

Question 15 – *If you are an entity whose basis of preparing financial statements will change under these proposals, what are the likely effects of applying those new requirements? Please indicate both benefits and costs and other effects as appropriate. If you are a user of financial statements (such as an investor or creditor) what positive and negative effects do you anticipate from the implementation of the proposals set out in this paper?*

Most of our members are currently using UK GAAP to prepare individual accounts of publicly traded companies as well as the accounts of subsidiaries. We anticipate that the proposals could result in an increased amount of the finance team's time being taken up on implementation and training or, where a company's resources may be limited, by increased cost resulting from using external advisers. In addition, when reporting using EU adopted IFRS reconciliations will still be required for group reporting purposes as some of the proposed accounting policies are inconsistent. .

Question 16 – *What are your views on the proposed adoption dates?*

As the Government require company tax filings in XBRL from April 2011, we believe that the proposed adoption date is unrealistic given the limited accounting resource of our members.

If you wish to discuss these issues with us, we will be pleased to attend a meeting.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'T. Ward', written on a light blue background.

Tim Ward
Chief Executive

THE QUOTED COMPANIES ALLIANCE FINANCIAL REPORTING COMMITTEE

Anthony Carey (Chairman)*	-	Mazars LLP
Peter Chidgey	-	BDO Stoy Hayward LLP
Sarah Cox*	-	Ernst & Young LLP
David Gray	-	DHG Management
Shane Horsell	-	Ultimate Finance plc
Chris Ogle	-	SQC Consultant
Paul Watts/Bill Farren	-	Baker Tilly LLP
Nick Winters/James Lole	-	Vantis plc
Tim Ward	-	The Quoted Companies Alliance
Kate Jalbert	-	The Quoted Companies Alliance

*Main Author

THE QUOTED COMPANIES ALLIANCE (QCA)

A not-for-profit organisation funded by its membership, the QCA represents the interests of small and mid-cap quoted companies, their advisors and investors. It was founded in 1992, originally known as CISCO.

The QCA is governed by an elected Executive Committee, and undertakes its work through a number of highly focussed, multi-disciplinary committees and working groups of members who concentrate on specific areas of concern, in particular:

- taxation
- legislation affecting small and mid-cap quoted companies
- corporate governance
- employee share schemes
- trading, settlement and custody of shares
- structure and regulation of stock markets for small and mid-cap quoted companies; Financial Services Authority (FSA) consultations
- political liaison – briefing and influencing Westminster and Whitehall, the City and Brussels
- accounting standards proposals from various standard-setters

The QCA is a founder member of European**Issuers**, which represents quoted companies in fourteen European countries.

QCA's Aims and Objectives

The QCA works for small and mid-cap quoted companies in the United Kingdom and Europe to promote and maintain vibrant, healthy and liquid capital markets. Its principal objectives are:

Lobbying the Government, Brussels and other regulators to reduce the costing and time consuming burden of regulation, which falls disproportionately on smaller quoted companies

Promoting the smaller quoted company sector and taking steps to increase investor interest and improve shareholder liquidity for companies in it.

Educating companies in the sector about best practice in areas such as corporate governance and investor relations.

Providing a forum for small and mid-cap quoted company directors to network and discuss solutions to topical issues with their peer group, sector professionals and influential City figures.

Small and mid-cap quoted companies' contribute considerably to the UK economy:

- There are approximately 2,000 small and mid-cap quoted companies
- They represent around 85% of all quoted companies in the UK
- They employ approximately 1 million people, representing around 4% of total private sector employment
- Every 5% growth in the small and mid-cap quoted company sector could reduce UK unemployment by a further 50,000
- They generate:

- corporation tax payable of £560 million per annum
- income tax paid of £3 billion per annum
- social security paid (employers' NIC) of £3 billion per annum
- employees' national insurance contribution paid of £2 billion per annum

The tax figures exclude business rates, VAT and other indirect taxes.

For more information contact:

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