



Accounting Standards Board

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11 June 2007

Dear Andrew and Kirsty

IFRS and Accounting for not-for-profit entities

Thank you for your letter about the relationship between IFRS and the future of accounting by charities in the UK.

As you are aware, the ASB has long expressed the view at every available opportunity that the IASB should address accounting in the not-for-profit sector, and has sought to contribute a not-for-profit perspective, for example through its participation in the 'Monitoring Group' which you mention. We are also actively contributing to IPSASB's work on the conceptual framework. I note that you copied your letter to IASB and we shall, of course, continue to urge the importance of not-for-profit entities to the IASB.

Notwithstanding the move to IFRS we have also continued to address issues of concern to the charities, for example by the issue of the Interpretation of the Statement of Principles for Public Benefit Entities, which will be published later this month, and in our project on Heritage Assets. We are also likely to undertake further research in issues on accounting for relevant issues in the near future: for example, the Board has asked for some work to be carried out on the fundamental principles of accounting for grants and donations.

As you note, the IASB's SME standard may well play a key part in the ASB's work in converging UK and international accounting standards, and we are currently consulting on this subject. Obviously, I cannot pre-empt the results of this consultation. It is, however, clear that many constituents agree that full IFRS should not be imposed on smaller entities—including many who are rather larger than those that are currently eligible to use the FRSSE.

It is therefore possible that the ASB will conclude in due course that the IASB SME standard should be available to companies in the 'middle tier' which might include charities. In considering this issue, it will be important to ensure that the costs are proportionate, but bearing in mind the duty of accountability that, at least arguably, goes with the privilege of charitable status.

We look forward to continuing to work with the Commission and OSCR on these issues. If you would like to discuss them further please contact me or Andrew Lennard.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian Mackintosh', written in a cursive style.

Ian Mackintosh

Chairman

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