

# FINAL REGULATORY IMPACT ASSESSMENT

## ON

### THE EXERCISE OF MEMBER STATE OPTIONS IN THE INTERNATIONAL ACCOUNTING STANDARDS (IAS) REGULATION

#### **1. Proposal**

1.1. The Companies Act 1985 (International Accounting Standards and Other Accounting Amendments) Regulations 2004 and the Building Societies Act 1986 (International Accounting Standards and Other Accounting Amendments) Order 2004 implementing the IAS Regulation<sup>1</sup>.

1.2. For companies the implementation of the Fair Value Directive<sup>2</sup>, the Modernisation Directive<sup>3</sup> and other changes to ensure the regulation is fully effective in Great Britain, is being taken forward in the same Statutory Instrument as these accounting amendments. For building societies, the implementation is being taken forward in two Statutory Instruments. This regulatory impact assessment discusses the costs and benefits of the exercise of Member State options in the IAS Regulation. The costs and benefits of the Fair Value and the Modernisation Directives are discussed in separate regulatory impact assessments<sup>4</sup>.

1.3. Unless stated otherwise, references in this regulatory impact assessment to “companies” should be taken to include companies, building societies, limited liability partnerships (“LLPs”) and certain banking and insurance undertakings.

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<sup>1</sup> Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. OJ L 243/1 of 11 September 2002

<sup>2</sup> Directive 2201/65/EC of the European Parliament and of the Council of 27 September 2001 amending Directives 78/660/EEC, 83/349/EEC and 86/635/EEC as regards the valuation rules for the annual and consolidated accounts of certain types of companies as well as banks and other financial institutions. OJ L283/28 of 27 October 2001.

<sup>3</sup> Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003 amending Council Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674 on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings. OJ L 178/16 of 17 July 2003

<sup>4</sup> Final Regulatory Impact Assessment on the use of Fair Value accounting for certain financial instruments for companies and building societies, URN 04/1668 and Final Regulatory Impact Assessment on the Modernisation Directive for companies and building societies, URN 04/1667

## **2. Purpose and intended effect**

### **(i) Objective**

2.1. The objective of the proposal is to increase comparability, consistency and transparency of accounts, while keeping the burden on business to a minimum.

2.2. The IAS Regulation requires companies and building societies whose securities are admitted to trading on a regulated market in any EU Member State (“publicly traded companies”) to prepare their consolidated accounts in accordance with International Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the European Commission. In addition, all companies (with the exception of charities) and building societies will be permitted to prepare their individual accounts, and non-publicly traded parent companies and building societies will be permitted to prepare their consolidated accounts in accordance with adopted IAS instead of with UK Generally Accepted Accounting Practice (UK GAAP) from 1 January 2005.

2.3. For publicly traded companies and building societies with listed securities, adherence to adopted IAS may help to reduce the cost of capital because their accounts will be more accessible to potential investors across the EU and worldwide. For potential investors, creditors and other users of financial statements, adopted IAS will provide a consistent accounting framework to facilitate comparison of the performance and prospects of companies and building societies across the EU. For non-publicly traded companies and building societies without listed securities, adopted IAS may in some cases reduce barriers to growth by allowing them to prepare their accounts under IAS prior to application for listing.

2.4. In the UK, accounting standards issued by the Accounting Standards Board (ASB) apply to all companies and building societies; they are also used by a variety of other entities. The ASB and IASB standards are in many cases very similar, although there are also a number of differences. (UK GAAP has a simpler accounting regime for smaller companies and for subsidiaries.) The ASB’s standards will continue to apply to all UK companies and building societies and certain other reporting entities that do not report under the IAS Regulation (whether directly or by extension). The ASB does not believe it is a credible option, except in the short term, to retain two different sets of accounting standards in the UK. It therefore aims to bring UK standards into line with IASB standards. In March 2004 the ASB published a discussion

paper<sup>5</sup> setting out proposals for achieving this. Therefore, in the future, companies and building societies which choose to continue to prepare their accounts under UK GAAP may nonetheless be applying standards which are very similar to adopted IAS.

## **(ii) Devolution**

2.5. Responsibility for company law matters lies with the Secretary of State for Trade and Industry and for building society law matters with the Chancellor of the Exchequer. Company and building society law is a reserved area under the Scottish and Welsh devolution legislation and therefore any resulting changes to company and building society legislation will also apply in Scotland and Wales. Building society law is also a reserved matter under the Northern Ireland devolution legislation. In Northern Ireland, matters arising from the proposal would normally be the responsibility of the Northern Ireland Executive Ministers. Whilst the Northern Ireland Assembly and Executive are suspended, these functions will be discharged by the Northern Ireland Departments subject to the direction and control of the Secretary of State for Northern Ireland.

## **(iii) Background**

2.6. During 1999, the European Commission published a communication on “Financial Services: Implementing the Framework for Financial Markets: Action Plan”. In March 2000, at the Lisbon European Council, Ministers of Member States concluded that, in order to accelerate completion of the internal market for financial services, steps should be taken to enhance the comparability of financial statements by 2005.

2.7. Consequently, in February 2001 the European Commission published a proposal for a Regulation on the application of IAS in the EU, as a key element of its Financial Services Action Plan. It aimed to harmonise financial reporting in the EU on the basis of globally agreed accounting standards by 2005. The IAS Regulation was adopted on 7 June 2002.

2.8. The IAS Regulation contains options allowing Member States to permit or require:

- publicly traded companies to prepare their individual accounts in accordance with adopted IAS;
- some or all non-publicly traded companies to prepare their consolidated and/or individual accounts in accordance with adopted IAS.

2.9. The obligation in Article 4 of the IAS Regulation for publicly traded companies and building societies that issue listed securities to prepare their consolidated accounts in accordance with adopted IAS has the force of law in

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<sup>5</sup> A Strategy for Convergence with IFRS, 183/173.

each Member State. Consequently no legislative action is required in Member States, other than to ensure that the Regulation is fully effective – eg by amending enforcement provisions. However, legislation is required to take advantage of the options conferred by the Regulation. For companies and building societies covered by the IAS Regulation and extension to it, adopted IAS will replace all the detailed provisions on the contents of accounts contained in the Accounting Directives<sup>6</sup>. These provisions have been transposed into British legislation by Part 7 of the Companies Act 1985 and by the Building Societies Act 1986 and regulations made under it.

#### (iv) Risk Assessment

2.10. There is evidence from those EU countries that have already moved to IAS that not extending the application of the IAS Regulation, at least to some companies and building societies, could create an artificial barrier to growth. For example, non-publicly traded companies and building societies without listed securities to which the IAS Regulation did not apply might be deterred from obtaining admission to trading on a regulated market by the need to restate their past accounts to adopted IAS to provide the necessary three year record. It would also be more complicated for publicly traded parent companies and building societies with listed securities to prepare group accounts if they and their subsidiary companies were unable to prepare their individual accounts to adopted IAS.

2.11. On 10 December 2003, the Chancellor announced in his Pre-Budget Report that those companies that choose to use IAS in their individual accounts will be able to use those accounts as the starting point for their tax computations, and will not have to prepare separate UK GAAP accounts just for tax purposes. This will also apply to building societies.

### **3. Options**

3.1. There are many permutations of the Member State options for extending the application of the IAS Regulation, from no extension, through extension to companies and building societies of certain types, size, or business sector, to full extension to all companies and building societies. Extension can be either permissive or mandatory. The main options are listed below, with comments on the risks of not taking up the option:

#### **Option 1: No extension to the application of the IAS Regulation.**

3.2. The risks of not extending the application of the IAS Regulation are discussed at paragraph 2.10 above.

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<sup>6</sup> The 4th and 7th Directives on the annual and consolidated accounts of companies (Directives 78/660/EEC and 83/349/EEC respectively); the Directive on the annual and consolidated accounts of insurance undertakings (Directive 91/674/EEC); and the Directive on the annual and consolidated accounts of banks and other financial institutions (Directive 86/635/EEC)

**Option 2(i): Extension of the application of the IAS Regulation to the individual accounts of publicly traded companies and building societies with listed securities.**

3.3. It would be more complicated to prepare group accounts if the parent company or building society accounts were prepared under UK GAAP while consolidated accounts were prepared under adopted IAS.

**Option 2(ii): Option 2(i) plus extension of the application of the IAS Regulation to the individual accounts of subsidiaries of publicly traded companies and building societies with listed securities.**

3.4. The risks of not extending the application of the Regulation to the individual accounts of subsidiary undertakings are similar to those discussed for parent company and building society accounts at paragraph 3.3 above.

**Option 2(iii): Extension of the application of the IAS Regulation to the individual accounts of publicly traded companies and building societies with listed securities that do not produce consolidated accounts.**

3.5. Not extending the application of the Regulation to these companies and building societies may disadvantage them and hamper comparability, especially if their competitors on home or overseas markets could prepare accounts using adopted IAS.

**Option 2(iv): Options 2(i), 2(ii) and 2(iii) plus extension of the application of the IAS Regulation to large and medium-sized non-publicly traded companies and building societies without listed securities (all companies above those small companies that could apply the ASB's Financial Reporting Standard for Smaller Entities (FRSSE) and equivalent sized building societies).**

3.6. A two-tier accountancy profession already exists where accountants dealing with medium, large and listed businesses have the specialist knowledge to prepare complex accounts, while accountants working with small businesses are more used to dealing with simple accounts. This option may have the unintended consequence of exacerbating this split.

**Option 2(v): Extension of the application of the IAS Regulation to all companies and building societies.**

3.7. If this option was pursued on a mandatory rather than permissive basis, it could increase the burden on small companies and building societies. IAS has many reporting requirements that are more suitable for larger businesses,

and there is currently no international equivalent of the ASB's reporting standard for small companies (the FRSSE<sup>7</sup>).

**Option 2(vi): Sector specific option: Extension of the application of the IAS Regulation to companies and building societies prudentially regulated under the Financial Services and Markets Act 2000.**

3.8. Extending only to this particular sector may disadvantage other businesses and hamper comparability if their competitors on home or overseas markets could prepare accounts to adopted IAS.

#### **4. Benefits**

##### **Option 1:**

4.1. The benefit to business in not extending application of the IAS Regulation is that no potential cost burden will fall on companies and building societies other than those who will be required by the IAS Regulation to use adopted IAS in the preparation of their consolidated financial statements.

##### **Options 2(i), 2(ii), 2(iii), 2(iv), 2(iv), 2(v) and 2(vi):**

4.2. A benefit of extension generally is that for companies and building societies that do business or seek capital across borders compliance with adopted IAS would make their accounts more comparable with those of their competitors who are permitted or required to use IAS. This comparability would assist shareholders, analysts and other users of accounts. There could also be cost savings as a result of not having to prepare different accounts according to different national standards.

4.3. A benefit of extension for options 2(i) and (2ii) is that groups of companies and building societies would not have to prepare their accounts using two accounting methods. Both individual and consolidated accounts would be prepared in accordance with adopted IAS.

4.4. A benefit of extension for option 2(v) is that it would not create a barrier to growth, in that small companies and building societies would not be faced with the need to change their accounting systems completely when they got above a certain size. If implemented on a mandatory basis, it would also provide full comparability of all accounts. There would be a single set of accounting standards, which would have the advantages of simplicity, certainty and transparency.

4.5. Extension on a permissive rather than mandatory basis for any of the options has the benefit of minimising burdens on business. There will be costs

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<sup>7</sup> Financial Reporting Standard for Smaller Entities.

for a company and building society in switching to adopted IAS. A permissive approach would mean that companies and building societies can switch to adopted IAS when it best suits their own circumstances, and when they judge that the benefits outweigh the costs.

4.6. When consulting on the options<sup>8</sup> we requested that respondents consider the costing of benefits to using adopted IAS and provide estimates as to these benefits. Those respondents who commented on the benefits were not able to quantify them.

### **Business Sectors Affected**

4.7. This proposal will potentially affect all companies and building societies in Great Britain. There are currently approximately 1.1 million active companies on the register at Companies House and 63 building societies on the register at the Financial Services Authority. It is not possible to say how many of these will choose to prepare their accounts in accordance with adopted IAS. Use of IAS is likely to be largely confined to larger listed companies and building societies initially but will spread to others as they and users of accounts become more familiar with IAS.

### **Issues of Equity and Fairness**

4.8. The Government considers that the proposal will not bring disproportionate benefits or have disproportionate effects on particular groups.

## **5. Costs**

### **(i) Compliance costs**

#### **Option 1:**

5.1. If the application of the IAS Regulation is not extended, there will be no cost to businesses other than that falling on those already covered by the IAS Regulation. Any cost on shareholders, analysts and other users of accounts (such as investors, creditors and enforcement bodies) of having to be familiar with two sets of accounting regimes for investment or compliance purposes arises from the IAS Regulation itself rather than any extension to it.

### **Options 2(i) & 2(ii) (Extension of the application of the IAS Regulation to the individual accounts of publicly traded companies and building**

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<sup>8</sup> International Accounting Standards, a consultation document on the possible extension of the European Regulation on International Accounting Standards, 30 August 2002, DTI, URN 02/1158 and Modernisation of Accounting Directives/IAS Infrastructure, March 2004, DTI and HM Treasury URN 04/733

**societies with listed securities and to the individual accounts of their subsidiaries) – on a mandatory basis:**

5.2. The additional cost of extending the application of the IAS Regulation to the individual accounts of publicly traded companies and building societies with listed securities and the individual accounts of subsidiary undertakings on a mandatory basis should be minimal. These companies would need to prepare underlying accounting data in accordance with adopted IAS in order for the parent company or building society to prepare the group accounts already covered by the IAS Regulation.

5.3. Our best estimate is that for these categories of company and building society, a decision to prepare accounts in accordance with adopted IAS could be broadly neutral in cost terms. Groups whose parent company is publicly traded or whose parent building society has listed securities would incur ongoing costs in maintaining capability in two different accounting frameworks if they were unable to use adopted IAS in their individual and subsidiary accounts. However, switching to adopted IAS for these accounts would also require a one-off investment to restate comparative figures, re-design systems and procedures and adapt to different disclosure requirements. Also, some ongoing costs might arise as a result of adopted IAS's different requirements for subsidiary companies (e.g. the requirement to prepare a cash flow statement for each subsidiary).

**Options 2(iii), 2(iv), 2(v) & 2(vi) (Extension of the application of the IAS Regulation to all companies and building societies excepting Options 2(i) and 2(ii)) – on a mandatory basis:**

5.4. There will be a one-off cost for companies and building societies switching to IAS. Companies and building societies will have to change the basis on which they prepare their accounts, entailing changes to accounting systems. Changes to IT systems will be minimal as much of the work is already carried out by companies for internal purposes.

5.5. There will be one-off training costs for staff in being instructed in the standards and in interrogating the information in order to compile accounts to a different accounting regime. Anecdotal evidence suggests that small companies and building societies may require 1 person to be trained for 2 days. Medium to large companies and building societies may require 2 staff to be trained for between 3 and 5 days. This gives the following estimates:

Cost of training course	£750 per day (cost of a one day training package on IAS)
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Cost of staff time per day	£100 per day (assuming staff pay of £25,000 per annum approximately)
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5.6. We estimate the training costs for small companies may be approximately £1,700 per business (or £1,950m ((£750 x 2 + £100 x 2) x 1.15m) for the sector as a whole). It is possible that as many as 60% of small businesses may not have in-house accountancy staff and therefore would not incur a training cost. This would reduce the one-off cost burden on this sector to £1,170m. However, in these cases there may be a need for additional external advice and support; the costs of this will vary depending on individual circumstances. It is estimated that the cost for medium to large companies and building societies may be between £5,100 and £8,500 per business (or between £181m (2 x £750 x 3 + 2 x £100 x 3) x 35,500) and £301m ((2 x £750 x 5 + 2 x £100 x 5) x 35,500) for the sector as a whole).

5.7. There are no on-going costs for medium and large companies as adopted IAS simply replaces the existing accounting standards. There may be additional on-going costs for small companies and building societies in having to comply with adopted IAS. IASB standards are primarily focused on the reporting requirements of large publicly traded companies, which are involved in complex transactions. Some standards are arguably less relevant to small businesses or require them to account for certain transactions in overly complex ways. As yet, there is no equivalent IASB to the ASB's FRSSE, which brings together in one place, with some simplifications, the accounting requirements from each of the full domestic standards as they apply to small businesses.

5.8. We would estimate the extra staff time spent in applying adopted IAS to small companies or building societies to be in the region of 1 person for 2 days per annum. Assuming the cost of staff time to be approximately £100 per day (a salary of £25,000 per annum), the cost of this may be approximately £200 per business (or £230m (£100 x 2 x 1.15m) for the sector as a whole). Again, if as many as 60% of small businesses do not prepare their own accounts, the on-going cost burden would be reduced to £138m for the sector as a whole. However, once again additional cost may be incurred in respect of external advice and support.

5.9. There will also be costs for accountancy firms in a mandatory change to IAS. There are some 64,000 accountancy businesses or firms in the UK. We estimate there will be one-off training costs for two days training for a partner and 2 others in the region of £5,700 (or £365m for the sector as a whole), broken down as follows:

Cost of training course	£750 per day (cost of a one day training package on IAS)
Cost of staff time per day	£100 per day (assuming staff pay of £25,000 per annum approximately)

Cost of partner time                      £400 (assuming partner pay of £100,000 per annum approximately)

**Option 2(v) (Extension of the application of the IAS Regulation to all companies and building societies) – on a permissive basis**

5.10. If companies and building societies are required to adopt IAS in the preparation of their financial statements compliance costs will be incurred. Permitting companies and building societies to use adopted IAS will impose no compliance costs. However there may be some costs to some companies in deciding to chose IAS. The cost would be in management time spent considering the issue, and possibly the cost of attending seminars or purchasing information on IAS. It is very difficult to estimate how many companies would spend a significant amount of time deciding whether to use IAS. However, the costs given above may give some indication. Giving companies and building societies the ability to choose to use adopted IAS in the preparation of their accounts will allow them the flexibility to prepare accounts in accordance with the accounting framework that is best suited to their needs. They will choose to switch to adopted IAS when they judge that the benefits outweigh the costs.

5.11. There will be a cost to those accountancy firms dealing with publicly traded groups or building societies with listed securities, arising directly from the IAS Regulation. There will be a cost on other accountancy firms in permitting non-publicly traded companies and building societies without listed securities to use adopted IAS. Those firms will need to become familiar with IAS in order to advise their clients on whether to switch. However, the ASB's convergence programme will mean that IAS and UK GAAP are similar, thereby reducing the cost of becoming familiar with IAS.

5.12. When consulting on the options for companies, we requested that respondents consider the cost of using adopted IAS and provide estimates as to the costs. Those respondents who commented on costs said that it was difficult to quantify those costs. The estimates provided varied widely and are summarised below:

- Mandatory extension of IAS will cost small companies an estimated £150 pa.
- Implementation costs likely to exceed £0.5m for the group on whose behalf the respondent answered.
- Consultancy costs are over £1,000 per day and significant assistance will be required.
- Costs of installation and training could be between £200 and £500 per company.

- Costs of Finance function in a large limited company likely to rise by some 10% (£25,000) pa.
- Costs of audit in a large limited company likely to rise by some 10% (£5,000) pa.

## **(ii) Other costs**

5.13. The DTI considers that there are no costs imposed on sectors other than business.

## **(iii) Costs for a typical business**

5.14. The costs for a typical business are discussed in detail at paragraphs 5.4 to 5.12 above. These proposals will affect companies, LLPs and those in the banking insurance and accounting professions.

## **6. Consultation with small business:**

### **The Small Firm's Impact Test**

#### **Stage 1**

6.1. Our estimates at paragraphs 5.4 and 5.8 above show that there may be a one-off training cost of £1,700 for a small company should it choose to use adopted IAS in the preparation of its financial statements. It is possible that as many as 60% of small companies may not have in-house accountancy staff and therefore would not incur a training cost. There will be no cost to small companies if they choose not to use adopted IAS.

#### **Stage 2**

6.2. The consultation document and its small firms summary was made widely available. The Society of Professional Accountants (SPA), who represent an independent group of small professional practices serving a total of some 90,000 incorporated businesses (the vast majority of which are small) were not in favour of compulsory extension to small companies. The SPA felt there would be little impact on small companies, as few would choose to move to adopt IAS.

6.3. The London Society of Chartered Accountants (with a membership of 30,000) commented that the application of adopted IAS should be extended to all companies. However, the IAS regulation should not be applied to the accounts of small companies (as defined) in the short term until a FRSSE has been developed that is consistent with IAS.

6.4. The Government encouraged several other small business organisations to respond to the consultation but did not receive comments.

## **7. Competition Assessment**

7.1. The proposal has the potential to affect all companies and building societies that choose to prepare their financial statements in accordance with adopted IAS. It is not anticipated that the proposal will: affect some of those businesses more than others; affect market structure; change the number or size of those businesses; lead to higher set-up costs for those businesses; or lead to higher on-going costs, than at present.

7.2. The main business sector identified as being affected by this change is the accounting sector.

## **8. Enforcement and Sanctions**

8.1. In Great Britain there is already a well-regarded enforcement regime in place for ensuring that financial statements meet the requirements of existing legislation. In addition to criminal penalties, currently the Financial Reporting Review Panel (FRRP) has legal authority to review companies' accounts and if necessary to go to court to compel a company to revise its accounts. The FRRP shares this responsibility with the Secretary of State. By administrative agreement the FRRP deals with the accounts of public and large private companies, and the Secretary of State (through Companies House) with the rest.

8.2. In terms of building societies, the Building Societies Act 1986 and subsequent Regulations contain a number of requirements on accounting and auditing. Breaches of the most important of these requirements are criminal offences for which both the building society and any of its officers in default can be prosecuted and fined. Building societies are also subject to supervision and regulation by the Financial Services Authority. The FSA receives a copy of each society's annual accounts and has a flexible range of sanctions at its disposal to ensure compliance with the statutory requirements.

## **9. Monitoring and Review**

9.1. The Government proposes to review the adoption of the IAS Regulation around 2008 and re-evaluate the extension options having regard to developments in the ASB's convergence programme and the IASB's development of an International FRSSE.

## **10. Consultation**

### **(i) Within Government**

10.1. The Department of Trade and Industry and HM Treasury have consulted with the Inland Revenue, The Financial Services Authority, the

Small Business Service, Companies House and the Department for Enterprise, Trade and Industry in Northern Ireland.

**(ii) Public consultation**

10.2. On 2 September 2002, the Department published a consultation document on the possible extension of the IAS Regulation.

The consultation was sent to approximately 1,000 businesses, professional bodies, and representative organisations and individuals, and was also made available on the internet. The consultation closed on 26 November 2002. 69 responses were received, with the majority of respondents in favour of extension of the IAS Regulation. A number of respondents commented on the costs and benefits of extension of the IAS Regulation. Those comments have been incorporated into this regulatory impact assessment.

10.3. In March 2004, the Department of Trade and Industry and HM Treasury published a consultation document on the Modernisation Directive/IAS Infrastructure. Approximately 800 businesses, professional bodies, representative organisations and individuals were notified of the consultation. The consultation document was available on the DTI's Internet site, and printed copies were available on request. The deadline for comments was 2 July 2004.

10.4. A total of 38 organisations, businesses and individuals responded to the consultation. A number of respondents commented on the costs and benefits of the impact of IAS but were unable to further quantify those costs or benefits. Summaries of responses to both consultations are available at [www.dti.gov.uk/cld/index.htm](http://www.dti.gov.uk/cld/index.htm).

## **11. Summary and Recommendation**

11.1. The table below shows a summary of the costs and benefits of the proposal:

	<b>Approximate number of companies and building societies affected</b>	<b>Cost of mandatory extension of the IAS Regulation (£)</b>	<b>Cost of voluntary extension of the IAS Regulation (£)</b>	<b>Benefit (£)</b>
Option 1	N/A	N/A	N/A	N/A
Option 2(i)	1,350	Minimal	NIL	Not having to prepare group accounts using different sets of accounting systems.
Option 2(ii)	27,000	Minimal	NIL	Not having to prepare group accounts using different sets of accounting systems.
Option 2(iii)	250	£2.1m approx in one-off training costs.  There will be minimal one-off system costs.	NIL	Easier comparison across sectors and markets.
Option 2(iv)	35,500	Between £181m and £301m approx in one-off training costs.	NIL	Easier to seek admission to trading on a regulated market.

		There will be minimal one-off IT system costs.		Easier comparison across sectors and markets.
Option 2(v)	1.2m	Cost to the accountancy sector £365m.  Between £1,351m and £2,251m in one-off training costs.  Between 138m and £230m in additional on-going compliance costs for small companies in interpreting adopted IAS in place of the FRSSE.	NIL	Easier comparison across sectors and markets.
Option 2(vi)	This option has not been costed because of the difficulty in identifying the number of companies covered			

11.2. The Government recommends option 2(v) on a voluntary basis. The benefits of this option are:

- Parent companies and building societies and subsidiaries in groups will be able to prepare their accounts to one framework of accounting standards.

- Companies and building societies that do business or seek capital across borders would be able to prepare their accounts to adopted IAS for ease of comparison.
- Comparability of accounts will assist, shareholders, analysts and other users of accounts.
- Comparability of accounts will help maintain the attractiveness of British companies and building societies to international investors.
- Costs savings in not having to prepare accounts to different national standards.
- Companies and building societies of different sizes will be able to choose which standard is best suited for their needs.

11.3. This regulatory impact assessment has been approved by HM Treasury.

**I have read the Regulatory Impact Assessment and am satisfied that the benefits justify the costs.**

..... Date: .....

Jacqui Smith, Minister of State for Industry and the Regions, Deputy Minister for Women and Equality

Contact point:

William Murphy  
 Accounting and Audit Regulation  
 Corporate Law and Governance  
 Department of Trade and Industry  
 Bay 212  
 2<sup>nd</sup> Floor  
 Elizabeth House  
 39 York Road  
 London SE1 7LJ  
 Tel: 020 7215 0412  
 Fax: 020 7215 0235  
 Email: William.Murphy@dti.gsi.gov.uk

Ian Noon  
General Insurance, Mutuels and Inclusion  
HM Treasury  
1 Horse Guards Road  
London SW 2HQ  
Tel: 18002 020 7270 5897 (please use whole number)  
Fax: 020 7270 4694  
Email: [ian.noon@hm-treasury.x.gsi.gov.uk](mailto:ian.noon@hm-treasury.x.gsi.gov.uk)

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