

AccountancyAge

FRC: True and fair overrides accounting standards

by Richard Crump

06 Jun 2014



THE TRUE AND FAIR accounting concept should be used to override compliance with reporting standards in exceptional circumstances, the UK's reporting watchdog has said.

In a statement, the FRC reconfirmed that the presentation of a true and fair view remains a fundamental requirement of financial reporting and said that, in the "vast majority" of cases, a true and fair view will be achieved by compliance with accounting standards.

However, where compliance with an accounting standard would result in accounts being so misleading that they would conflict with the

objectives of financial statements, the standard should be overridden, the FRC said.

"The requirement to present a true and fair view in financial statements is enshrined in EU and UK law. This statement confirms the fundamental importance of this concept to UK GAAP and IFRS," said Stephen Haddrill [pictured], chief executive of the FRC.

The concept of true and fair - whereby directors must consider whether, taken in the round, the financial statements that they approve are appropriate - is enshrined in UK law and came into conflict with international accounting rules last year when a group of investors questioned the legality of IFRS.

Doubts were raised by Lincoln's Inn counsel George Bompas QC, who identified inconsistencies between IFRS and existing company law, suggesting that company directors must override the standards in order to comply with competing legislation.

In October 2013, the FRC and BIS dismissed claims that IFRS conflict with UK company as misguided" and published a legal opinion from Martin Moore QC that found that IFRS are legally binding and achieves a true and fair view in financial statements and could, in most instances, be achieved by complying with the rules.

"The new statement reflects developments in UK GAAP, the now finalised European audit legislation, the legal advice obtained and published by the FRC in October 2013, and feedback from stakeholders seeking clarity as to the primary requirement to present a true and fair view," the FRC said.

www.yourmoney.com

In association with

AccountancyAge

[Five summer share tips for your portfolio](#)

[Five summer share tips for your portfolio](#)

Graham Spooner, investment research analyst at The Share Centre, offers five stocks to consider if the sun shines this summer and consumer confidence continues to rise.

[Read More >](#)

[A leap into the unknown or untapped potential?](#)

[BlackRock Investment Trusts. See things differently.](#)

BlackRock's range of 10 investment trusts is anything but conventional, which is what keeps it current in an ever-changing world. Over 100 investment teams in more than 30 countries help keep our perspective fresh and