The Quoted
Companies Alliance

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Jennifer Hughes, *Financial Times*
FRC faces caution on 'going concern'

Companies urged caution on the accounting watchdog yesterday after its proposals that directors should lay out clearly any significant doubts over whether the business was a going concern.

The Financial Reporting Council is consulting on whether it should update its guidance to company directors over their responsibilities regarding "going concern" - the judgment that says a business is viable for at least 12 months from the day the accounts are signed off.

Directors at present can reach three conclusions on a going concern. The FRC has proposed adding a fourth that would require them to disclose if they had "identified material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern".

There are fears more extensive disclosures could unsettle investors.

"We're wary about rushing on such a key area," said John Pierce, chief executive of the Quoted Companies Alliance.

"It's an absolutely timely review to do, but markets are twitchy enough at the moment that phraseology and wording in these things is crucial.

"We are studying it to determine whether it means a change in substance or in form. If substance, then it could have all sorts of unintended consequences and perhaps precipitate the demise of a business that, without veiled warnings, could pull through," he added.

The FRC has said it does not consider the changes a new departure and that they largely represented updates to accounting rules made since the guidance was first drawn up in 1994.

Some experts have, however, questioned the need for a fourth category in the updated guidance.

"They could just use the new tougher language and replace the middle one - its not clear why a fourth one is needed," said Steve Priddy of the Association of Chartered Certified Accountants.

The FRC's consultation is open until November.