

# UKSIP

The Society of Investment Professionals

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Accounting Standards Board

Dear Sirs

**Re FRED 28: Inventories, Construction and Service Contracts**

I attach the Society's response to the above exposure draft.

Please note that we have separated our comments between ASB questions and IASB questions. While we are content for our responses to ASB questions to be made available publicly, we request that our responses to the IASB question remain confidential.

Yours faithfully

Paul H Richards

**Inventories: Construction and service contracts (FRED 28) issued by the Accounting Standards Board**

*ASB(i) Do you agree with the proposal to issue new UK standards on inventories and construction contracts to replace SSAP 9, once the revised IAS 2 is approved by the IASB?*

The Society supports this.

*ASB(ii) Do you agree with the proposal to incorporate part of IAS 18 in the standard on construction contracts, so that it may also apply to other contracts for services?*

The Society supports this approach.

*ASB(iii) Do you believe that the ASB should consider any transitional arrangements?*

No.

*ASB(iv) Are there any aspects of the draft standard on inventories that the ASB should request the IASB to review when finalising the revised IAS 2?*

The Society is concerned that some information (see paragraph 7 on page 4) required to be disclosed under SSAP 9 will be lost as a result of the proposed changes. There should be no reduction in information required to be disclosed by companies.

*ASB(v) Are there any aspects of the standard on construction contracts that the ASB should request the IASB to review in due course?*

IAS 11 addresses capitalising pre-contract costs. Such capitalisation should only be permitted where the award of the contract is certain. Capitalisation should not otherwise be permitted.

**FRED 28: IASB questions**

(UKSIP response to remain confidential)

*IASB(i) Do you agree with eliminating the allowed alternative of using the last-in first-out (LIFO) method for determining the cost of inventories under paragraphs 23 and 24 of IAS 2?*

The Society supports this approach. There should not be such choices available to companies.

*IASB(ii) IAS 2 requires reversals of write-downs of inventories when the circumstances that previously caused inventories to be written down below cost no longer exist (paragraph 30). IAS 2 also requires the amount of any reversal of any write-down of inventories to be recognised in profit or loss (paragraph 31).*

*Do you agree with retaining those requirements?*

The Society supports this.

REF: Fred 28/204/Sept/02