

Guidance relating to Accounting Standard Change Certificate

- Part 1 Guidance on completing the form
- Part 2 Using the What If tool
- Part 3 Worked examples

Part 1

Guidance on completing the form

This guidance documentation aims to provide clarity when completing the Accounting Standard Change Certificate. Each snapshot of details that are required to be filled in are displayed below (blue text) supported by an explanation as well as any additional relevant information.

Declaration

I , hereby certify that I am duly authorised to give this Officer's Certificate on behalf of the Entity listed below. I certify that the information contained within this certificate is complete and accurate. In confirming this, I am aware that it is a criminal offence under section 195 of the Pensions Act 2004 for any person knowingly or recklessly to provide false or misleading information to the Board of the Pension Protection Fund ('the Board') in circumstances in which the person providing the information intends or could reasonably be expected to know, that it would be used by the Board for the purposes of exercising its functions and acknowledge that the information provided in this Officer's Certificate will be used by the Board for the purposes of exercising its functions.

- The name of the individual completing this document should be written within this field – by providing your name you are declaring that you agree with the entirety of the text contained and the implications involved.
- For an Officer's Certificate to be accepted, the Board of the Pension Protection Fund ('the Board') must be satisfied that it is signed by the appropriate person. Those who can sign an officer's certificate for an Accounting Standard Change Certificate are:
 - (a) any director or the company secretary, in the case of a company;
 - (b) any member, in the case of a limited liability partnership;
 - (c) the general partner, in the case of a limited partnership.

Company details

Entity being certified:

- Please provide the Entity name as provided to TPR.

Registration number: Registration Type:

- Please provide the entities registration number and the registration type that PPF and other entities would recognise this registration number as.

Date of accounting Year-end where standards change Year F:

- Please provide this date in the format DD/MM/YYYY, as would be the case within the annual accounts of any given entity.
- "F Accounts" - means a set of an Entity's Accounts in which a change in Accounting Standard is reflected for the first time in respect of that Entity.
- "Year F" – means the Year-end date of the F Accounts.

Date of accounting Year-end of year prior to standards change Year F-1:

- Please provide this date in the format DD/MM/YYYY, as would be the case within the annual accounts of any given entity.
- "F-1 Accounts" – means the set of Accounts having a Year End Date that is one calendar year before the Entity's F Accounts.
- "Year F-1" – means the Year-end date prior to the F Accounts.

Change Variable

Scorecard on which employer measured:

- The scorecard of any given entity can be found using the "what if analysis" found within the PPF score portal: (<https://www.ppfscore.co.uk/>). Simply search for the entity's name or the scheme number the entity is a part of. This will provide an informative score portal webpage from which you select 'Export "What-If?" Analysis' (.xlsx file) in order to gather information such as the scorecard, the variables associated with this scorecard, financial figures relating to variables, as well as a breakdown of the scores themselves.

Please Choose An Accounting Item in Year F-1 as stated in original accounts: (Q_{F-1})

Please Choose An Accounting Item as restated for Year F-1 in accounts for Year F: (Q_{F-1adj})

- Each scorecard has its own unique associated variables (accounting items) to define the Levy Scoring as per the Determination of a given Levy Year. Please select the relevant accounting item that is affected through the change in accounting standards. Adjustments can only be made to a variable that compares the latest accounts value to that three years prior eg: Change in Turnover on the Group £50m+ Scorecard.
- Q_{F-1} is the relevant financial figure being certified as stated in the Employer's F-1 Accounts as at the Year End Date of the F-1 Accounts.
- Q_{F-1adj} is the relevant financial figure being certified as stated in the Employer's F Accounts as at the Year End Date of the F-1 Accounts.
- For each of these fields, please enter the financial figure relating to the relevant accounting item with the correct currency e.g. £xxx,xxx,xxx

Other Changes

- Please only complete 'A.' if you are indicating that part of the restatement of the accounting item above is **not** related to an Accounting Standard Change. Where that part of the restatement gives rise to an increase in the value of the accounting item a positive entry should be made, or vice versa.

A. Adjustments made which **DO NOT** reflect the change in accounting standards?: (Other_{F-1adj})

Or

B. I confirm that no adjustments were made to the value certified for the Accounting Item in Year F-1 shown in the accounts for Year F **other than** adjustments to reflect the change in accounting standards.

(please confirm here)

- If this latter option is appropriate, please click on the grey box to confirm this statement is true for the given entity.

Adjustments made which reflect the change in accounting standards: (C)

- C is the change in the financial figure being certified as stated at the Year End Date of the F-1 Accounts that is due to the impact of the change in Accounting Standard.

Accounting adjustments are disclosed in Note of accounts for Year F.

- Please provide the note and page number as shown within the Year F annual accounts of the entity.

Name and Capacity in which signing:

Date:

Signature:

- Please provide the same name provided within the first section 'Declaration' here. You must also provide your association with the entity and scheme i.e. one of the following:
 - (a) director or the company secretary, in the case of a company;
 - (b) member, in the case of a limited liability partnership;
 - (c) general partner, in the case of a limited partnership.
- The same individual must also provide the date (DD/MM/YYYY) this form has been completed as well as sign this document as a confirmation of the declaration statement within this Accounting Standard Change Certificate. By signing this document you certify that the information contained within this certificate is complete and accurate. In confirming this, you are aware that it is a criminal offence under section 195 of the Pensions Act 2004 for any person knowingly or recklessly to provide false or misleading information to the Board in circumstances in which the person providing the information intends or could reasonably be expected to know, that it would be used by the Board for the purposes of exercising its functions and acknowledge that the information provided in this Officer's Certificate will be used by the Board for the purposes of exercising its functions.

Part 2

Using the What If tool

The Accounting Standard Change Adjustment table allows users to see what their score would be if an FRS certificate were to be submitted. Usually the percentage change of a trend variable is calculated using the values from the Year N and Year N-3 accounts.

In cases when an FRS certificate is submitted, the change variable is calculated as set out in section 3.10 of the Insolvency Risk Appendix.

$$C = Q_{F-1} - Q_{F-1 \text{ adj}} + \text{Other}_{F-1 \text{ adj}}$$

$$\text{Change Variable} = (Q_N - Q_{N-3} + C) / |(Q_{N-3} - C)|$$

Accounting Standard Change Adjustment			
Trend Variable Utilised:		Total Assets	Enable: <input type="text" value="Yes"/>
C	Q F-1	Q F-1 adj.	Other F-1 adj
-126,200,000	-126,200,000	0	0
Adjustable Variable		-158.21%	
Group Trend Variable Utilised:		No Trend Variable	Enable: Yes
C	Q F-1	Q F-1 adj.	Other F-1 adj
N/A	N/A	0	0
Adjustable Group Variable		N/A	

The 'Enable' function allows the FRS change variable calculation to be reflected in a revised Pension Protection Score within the What if tool.

Initially the What if tool populates the QF-1 box with data reflected in the N-1 column (assuming the change in standards occurred in the most recent (N) accounts). Where the change was reflected in an earlier year the data can be replaced. Values can also be entered for $Q_{F-1 \text{ adj}}$ and $\text{Other}_{F-1 \text{ adj}}$, which are the values which will be entered on the certificate.

Part 3

Worked examples

The following examples assume that the company's Latest Accounts are those which reflect the change in Accounting Standard for the first time, i.e. in the notation of paragraph 3.10 of the Insolvency Risk Appendix:

- N Accounts = F Accounts
- $Q_{N-1} = Q_{F-1}$
- $Q_{N-1 \text{ adj}} = Q_{F-1 \text{ adj}}$

Example 1

Company XYZ is scored on the Independent Small scorecard, so Change in Total Assets is a Trend Variable. Company XYZ's Total Assets in the last four years as stated in its annual accounts from 31 December 2012 to 31 December 2015 are as follows:

Accounting year-end	Notation in Variable Value calculation	Total assets
31 December 2015	Q_N	£600,000
31 December 2014	Q_{N-1}	£450,000
31 December 2013	Q_{N-2}	£400,000
31 December 2012	Q_{N-3}	£350,000

Without certification, the Variable Value for this Trend Variable would be calculated using the formula $(Q_N - Q_{N-3}) / Q_{N-3}$. Substituting the figures above into this formula gives $(£600,000 - £350,000) / £350,000 = 71.43$ per cent (to two decimal places).

However, Company XYZ has switched to filing its latest accounts at 31 December 2015 under FRS 102. This means the latest total assets figure at 31 December 2015 (Q_N) is not directly comparable with the Total Assets figure at 31 December 2012 (Q_{N-3}), which was filed under UK GAAP.

In its latest accounts at 31 December 2015, Company XYZ has restated its accounts for 31 December 2014 (Q_{N-1}) under FRS 102. The Total Assets figures in the last four years of accounts under UK GAAP and FRS 102 are as follows:

Accounting year-end	Notation in Variable Value calculation	Total assets under UK GAAP	Notation in Variable Value calculation	Total assets under FRS 102
31 December 2015	Q_N			£600,000
31 December 2014	Q_{N-1}	£450,000	$Q_{N-1 \text{ adj}}$	£650,000
31 December 2013	Q_{N-2}	£400,000		
31 December 2012	Q_{N-3}	£350,000		

The notes to the 31 December 2015 accounts state that the restated Total Assets for 31 December 2014 (Q_{N-1}) are £250,000 higher than the original total assets of £450,000 due to factors not related to the change of accounting standard. The value of $Other_{F-1 \text{ adj}}$ is therefore £250,000.

The effect of switching to FRS 102 is therefore a reduction in Total Assets by £50,000 from £450,000 to £400,000. The value of C is therefore £50,000, i.e.:

$$\begin{aligned} (Q_{N-1} - Q_{N-1 \text{ adj}} + Other_{F-1 \text{ adj}}) &= (£450,000 - £650,000 + £250,000) \\ &= £50,000 \end{aligned}$$

Utilising the formula in paragraph 3.10 of the Insolvency Risk Appendix, the Change Variable following certification is calculated as follows:

$$\begin{aligned} \text{Change Variable} &= (Q_N - Q_{N-3} + C) / |(Q_{N-3} - C)| \\ &= (£600,000 - £350,000 + £50,000) / (£350,000 - £50,000) \\ &= 100 \text{ per cent} \end{aligned}$$

Accounting Standard Change Certificate

This Officer's Certificate reports on the impact of a change in accounting standards, and the figures reported must be on a comparable basis apart from the change in accounting standards.

Declaration

I, **Mr A Director**, hereby certify that I am duly authorised to give this Officer's Certificate on behalf of the Entity listed below. I certify that the information contained within this certificate is complete and accurate. In confirming this, I am aware that it is a criminal offence under section 195 of the Pensions Act 2004 for any person knowingly or recklessly to provide false or misleading information to the Board of the Pension Protection Fund ('the Board') in circumstances in which the person providing the information intends or could reasonably be expected to know, that it would be used by the Board for the purposes of exercising its functions and acknowledge that the information provided in this Officer's Certificate will be used by the Board for the purposes of exercising its functions.

Company details

Entity being certified: **XYZ Limited**

Registration number: **123456** Registration Type: Companies House

Date of accounting Year-end where standards change Year F: **31/12/2015**

Date of accounting Year-end of year prior to standards change Year F-1: **31/12/2014**

Change Variable

Scorecard on which employer¹ measured: Independent Small - Total Assets

Total Assets in Year F-1 as stated in original accounts: **£450,000** (Q_{F-1})

Total Assets as restated for Year F-1 in accounts for Year F: **£650,000** (Q_{F-1adj})

Other Changes

A. Adjustments made which **DO NOT** reflect the change in accounting standards²: **£250,000** (Other_{F-1adj})

Adjustments which give rise to an increase in the Accounting Item should be entered as a positive amount, and vice versa.

Or

B. I confirm that no adjustments were made to the value certified for the Accounting Item in Year F-1 shown in the accounts for Year F **other than** adjustments to reflect the change in accounting standards.

(please confirm here)

Adjustments made which reflect the change in accounting standards: **£50,000** (C)

Accounting adjustments are disclosed in Note **21** of accounts for Year F.

Name and Capacity in which signing: **Mr A Director, Director**

Date: **20/03/2018**

Signature: **A Director**

¹ Employer includes a guarantor or ultimate parent providing its accounts have been filed or provided to Experian

² Only complete if you are indicating that part of restatement for F-1 is not Accounting Standard related

Example 2

Company DEF is scored on the Group < £10m scorecard, so Change in Employee Remuneration is a Trend Variable. Company DEF's employee remuneration in the last four years as stated in its annual accounts from 31 December 2012 to 31 December 2015 are as follows:

Accounting year-end	Notation in Variable Value calculation	Employee remuneration
31 December 2015	Q_N	£500,000
31 December 2014	Q_{N-1}	£450,000
31 December 2013	Q_{N-2}	£300,000
31 December 2012	Q_{N-3}	£550,000

Without certification, the Variable Value for this Trend Variable would be calculated using the formula $(Q_N - Q_{N-3}) / Q_{N-3}$. Substituting the figures above into this formula gives $(£500,000 - £550,000) / £550,000 = -9.09$ per cent (to two decimal places).

However, Company DEF has switched to filing its latest accounts at 31 December 2015 under FRS 102. This means the latest employee remuneration figure at 31 December 2015 (Q_N) is not directly comparable with the employee remuneration figure at 31 December 2012 (Q_{N-3}), which was filed under UK GAAP.

In its latest accounts at 31 December 2015, Company DEF has restated its accounts for 31 December 2014 (Q_{N-1}) under FRS 102. The employee remuneration figures in the last four years of accounts under UK GAAP and FRS 102 are as follows:

Accounting year-end	Notation in Variable Value calculation	Employee remuneration under UK GAAP	Notation in Variable Value calculation	Employee remuneration under FRS 102
31 December 2015	Q_N			£500,000
31 December 2014	Q_{N-1}	£450,000	$Q_{N-1 \text{ adj}}$	£350,000
31 December 2013	Q_{N-2}	£300,000		
31 December 2012	Q_{N-3}	£550,000		

The notes to the 31 December 2015 accounts state that the restated employee remuneration for 31 December 2014 (Q_{N-1}) is £50,000 higher than the original employee remuneration of £450,000 due to factors not related to the change of accounting standard. The value of $Other_{F-1 \text{ adj}}$ is therefore £50,000.

The effect of switching to FRS 102 is therefore a reduction in employee remuneration by £150,000 from £450,000 to £300,000. The value of C is therefore £150,000, i.e.:

$$\begin{aligned} (Q_{N-1} - Q_{N-1 \text{ adj}} + Other_{F-1 \text{ adj}}) &= (£450,000 - £350,000 + £50,000) \\ &= £150,000 \end{aligned}$$

Utilising the formula in paragraph 3.10 of the Insolvency Risk Appendix, the Change Variable following certification is calculated as follows:

$$\begin{aligned} \text{Change Variable} &= (Q_N - Q_{N-3} + C) / |(Q_{N-3} - C)| \\ &= (£500,000 - £550,000 + £150,000) / (£550,000 - £150,000) \\ &= 25 \text{ per cent} \end{aligned}$$

Accounting Standard Change Certificate

This Officer's Certificate reports on the impact of a change in accounting standards, and the figures reported must be on a comparable basis apart from the change in accounting standards.

Declaration

I, **Mr A Director**, hereby certify that I am duly authorised to give this Officer's Certificate on behalf of the Entity listed below. I certify that the information contained within this certificate is complete and accurate. In confirming this, I am aware that it is a criminal offence under section 195 of the Pensions Act 2004 for any person knowingly or recklessly to provide false or misleading information to the Board of the Pension Protection Fund ('the Board') in circumstances in which the person providing the information intends or could reasonably be expected to know, that it would be used by the Board for the purposes of exercising its functions and acknowledge that the information provided in this Officer's Certificate will be used by the Board for the purposes of exercising its functions.

Company details

Entity being certified: **DEF Limited**

Registration number: **123456** Registration Type: Companies House

Date of accounting Year-end where standards change Year F: **31/12/2015**

Date of accounting Year-end of year prior to standards change Year F-1: **31/12/2014**

Change Variable

Scorecard on which employer¹ measured: Independent Small - Total Assets

Total Assets in Year F-1 as stated in original accounts: **£450,000** (Q_{F-1})

Total Assets as restated for Year F-1 in accounts for Year F: **£350,000** (Q_{F-1adj})

Other Changes

A. Adjustments made which **DO NOT** reflect the change in accounting standards²: **£50,000** (Other_{F-1adj})

Adjustments which give rise to an increase in the Accounting Item should be entered as a positive amount, and vice versa.

Or

B. I confirm that no adjustments were made to the value certified for the Accounting Item in Year F-1 shown in the accounts for Year F **other than** adjustments to reflect the change in accounting standards.

(please confirm here)

Adjustments made which reflect the change in accounting standards: **£150,000** (C)

Accounting adjustments are disclosed in Note **21** of accounts for Year F.

Name and Capacity in which signing: **Mr A Director, Director**

Date: **20/03/2018**

Signature: **A Director**

¹ Employer includes a guarantor or ultimate parent providing its accounts have been filed or provided to Experian

² Only complete if you are indicating that part of restatement for F-1 is not Accounting Standard related