

**HMRC – Reporting Funds
List of Acceptable GAAPs
Offshore Funds Manual OFM13550**

A Reporting Fund is required:

1. to prepare accounts in accordance with international accounting standards (IAS) (Reg 59(a)), or
2. to prepare accounts in accordance with the generally accepted accounting practice (GAAP) specified in the application (Reg 59(b)).
3. where it does not prepare its accounts in accordance with IAS –
 - a) to provide a statement specifying the entries in the fund's accounts that equate to 'total comprehensive income for the period' as that expression is used in IAS (Reg 53(d)), and
 - b) to include a statement specifying how the fund intends to comply with Reg 66(1)(b) or to calculate the adjustment required by Reg 66(2) (effective interest income or comparable amount) (Reg 53(e)).

The starting point, in accordance with Reg 63(1), for the calculation of reportable income for a period of account is:

- 'total comprehensive income for the period' where the accounts are prepared under IAS
- the entries that equate to 'total comprehensive income for the period' (see 3 a) above) where IAS is not used

Below is a list of GAAPs that HMRC will accept in respect of applications for Reporting Fund status. Further GAAPs may be added as applications are received from funds wishing to prepare accounts using GAAPs that do not yet appear on this list.

Where possible, terms under each GAAP that equate to 'total comprehensive income for the period' as that expression is used in IAS have also been identified. However, please note that some GAAPs may allow a degree of choice in applicable standards and that particular rules may apply to specialist entities such as OEICs. The entries on the list are based upon accounts seen to date by HMRC under the application process for the Reporting Fund regime. HMRC will therefore add detail to the list where other types of acceptable entries are identified under each GAAP. The ultimate responsibility for correctly computing its reportable income for each accounting period rests with the reporting fund.

Please note:

If an application is being considered using a different GAAP to those already listed, or using a different term to those already identified under a listed GAAP, it is important to explain why the entries identified in the application are considered to equate to 'total comprehensive income for the period' and, if relevant, please also explain how any major items in the accounts will be treated differently to IAS. Applicants may find it useful to discuss the relationship between that GAAP and IFRS, and in particular the identification of an equivalent figure to 'total comprehensive income', with HMRC in advance of formally submitting the application.

To do so, please contact:

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GAAPs by country

Canada

The term 'Net change in net assets resulting from operations' may not be directly representative of 'total comprehensive income for the period' as that expression is used under IAS. To the extent that dividend expenses are deducted in arriving at 'Net change in net assets resulting from operations', they will need to be added back in order to arrive at the equivalent of 'total comprehensive income for the period'.

France

The equivalent to 'total comprehensive income for the period' is expected to be derived from net income for the year from the profit and loss account, realised and unrealised gains and losses, transaction fees and foreign exchange variances on the statement of changes in net assets. If the income statement includes a deduction for dividends/distributions this will need to be added back. French GAAP does not take account of the Effective Interest Rate, so that appropriate adjustments are required in order to comply with IAS.

Holland

For financial institutions there are no major differences between accounts prepared under Dutch GAAP and IAS. An adjustment will be required in order to recognise Effective Interest Rate. There does not appear to be any single entry in accounts prepared under Dutch GAAP that will equate to 'total comprehensive income'. Each application for Reporting Fund status will therefore need to identify the specific entries that will make up the equivalent to 'total comprehensive income'.

Ireland

The terms:

'Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations', and

'Increase/decrease in net assets resulting from operations'

may not be directly representative of 'total comprehensive income for the period' as that expression is used under IAS. To the extent that dividend expenses are deducted in arriving at such results, they will need to be added back in order to arrive at the equivalent of 'total comprehensive income for the period'.

Jersey

An example of the term in the accounts that equates to 'total comprehensive income for the period' as that expression is used under IAS is 'Total return before distributions', which is the term set out in the IMA SORP at paragraph 3.33.

Liechtenstein

Under consideration.

Luxembourg

Examples of the terms in the accounts that equate to 'total comprehensive income for the period' as that expression is used under IAS are 'Net change in net assets as a result of operations' and 'Net increase/(decrease) in net assets as a result of operations'.

Norway

One term that may equate to 'total comprehensive income for the period' ('TCI') is 'Profit/loss for the year'. Where there is a 'dilution levy' appearing in 'commission revenue from subscription and redemption of units', this should be deducted as a capital item in arriving at TCI.

United Kingdom

Terms and entries in the accounts that equate to 'total comprehensive income for the period' as that expression is used under IAS include:

- 'Total return before distributions', which is the term set out in the IMA SORP at paragraph 3.33.
- 'Change in net assets attributable to unitholders from investment activities'.
- 'Net deficit/surplus attributable to participating shareholders adjusted for financial costs (dividends)'.

USA

An example of the term in the accounts that equates to 'total comprehensive income for the period' as that expression is used under IAS is 'Net increase/(decrease) in net assets as a result of operations'.