



Mr Webber
 Mr Gibson
 Mr Butler
 Mr Innes
 Mr Mower
 Mrs Harris
 Mr Ggleston

Copy to Mr Lambour,
 - Treasury.
 14/3 9/13

QUEEN ANNE'S GATE LONDON SW1H 9AT

13 March 1985

2 Stuart,

BBC Accounts

I understand that for a number of years my officials have raised with yours misgivings about the form of the BBC's annual accounts. Our concern has been that in the past the accounts have not provided a full and clear exposition of the Corporation's financial position. Following discussions in recent months a number of points have been cleared up, but there remains one major and fundamental issue relating to the treatment of fixed assets which I would wish to see resolved before the accounts for 1984-85 are prepared.

As you know, it has until now been the BBC's practice to write off in its income and expenditure account all its capital expenditure in the year of acquisition, rather than spreading the cost over the assets' useful life by way of a depreciation charge. This does not conform with standard accounting practice, and I understand that in November of last year the Treasury wrote to the Director of Finance reiterating our view that the accounts should be changed in this respect and provided, at the BBC's request, suggestions of how this might be done. However, the Deputy Director of Finance has now replied that the Corporation does not feel that the change is justified.

I think it is important that the BBC should be seen to be conforming with good accounting practice: it is required under paragraph 17(2) of its Charter to make proper provision for replacing or renewing its property, and I think it is right in principle for the accounts to reflect both these factors by showing depreciation of its fixed assets. As you know there is provision in the Charter for me to specify the information to be given in the accounts, and I am anxious that the depreciation of fixed assets should be incorporated into the income and expenditure account.

I should be quite prepared for you to decide how this should be presented, but of course Treasury and Home Office officials would be prepared to offer assistance if required.

Yours,
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Stuart Young, Esq.