A New Era for UK & Irish GAAP

The New Financial Reporting Standards in Ireland & the UK

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New Standards

- FRS 100 – Application of Financial Reporting Requirements (Nov 2012)
- FRS 101 – Reduced Disclosure Framework (First issued Nov 2012 revised August 2014)
- FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland (First issued March 2013 revised August 2014)

Dates for Application

- An entity shall apply these New Standards for accounting periods beginning on or after 1st January 2015.
- Early application is permitted.
- If an entity chooses early application before 1 January 2015 it shall disclose that fact.
- All extant SSAPs, FRSs and UITF Abstracts are superseded by early application and will be withdrawn for accounting periods beginning on or after 1st January 2015.

Existing Standards Withdrawn

- The following statements are also withdrawn:
- Statement of Principles for Financial Reporting;
- Statement of Principles for Financial Reporting – Interpretation for public benefit entities; and
- Reporting Statement: Retirement Benefits – Disclosures.

Statement of Compliance

Where an entity prepares its financial statements in accordance with

FRS 101 or FRS 102

it shall include a statement of compliance in the notes to the financial statements in accordance with the requirements set out in the relevant standard.

FRS 100 Application of Financial Reporting Requirements

- FRS 100 sets out the financial reporting requirements for UK and Republic of Ireland entities.
- Financial statements (whether consolidated financial statements or individual financial statements) that are within the scope of this FRS must be prepared in accordance with the following requirements:

FRS 100

- If the financial statements are those of an entity that is eligible to apply the Financial Reporting Standard for Smaller Entities (FRSSE)(effective January 2015), they may be prepared in accordance with that standard.

FRS 100

- If the financial statements are those of an entity that is not eligible to apply the FRSSE, or of an entity that is eligible to apply the FRSSE but chooses not to do so, they must be prepared in accordance with:

- FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland
  or
- EU-adopted IFRS
  or
- If the financial statements are the individual financial statements of a qualifying entity, FRS 101 Reduced Disclosure Framework.

FRS 101 Reduced Disclosure Framework

FRS 101 sets out a reduced disclosure framework which addresses the financial reporting requirements and disclosure exemptions for the individual financial statements of subsidiaries, intermediate parents and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

- Subject to the proviso that all equivalent disclosures are made in the consolidated financial statements

- **A charity may not avail of FRS 101**

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Qualifying Entity for FRS 101 Definition

A member of a group where the parent of that group prepares publicly available consolidated financial statements which are intended to give a true and fair view (of the assets, liabilities, financial position and profit or loss) and that member is included in the consolidation.

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FRS 101

The financial statements prepared by a qualifying entity are not IAS Accounts but are Companies Act accounts. Therefore the entity must comply with the Act and the Regulations and where applicable make amendments to EU-adopted IFRS requirements.

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FRS 101 Annual Update

- As FRS 101 applies the recognition and measurement requirements of EU adopted IFRS whilst reducing disclosure requirements, it will be reviewed annually to ensure it maintains consistency with IFRS.

FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland

- FRS 102 applies to financial statements that are intended to give a true and fair view of a reporting entity's financial position and profit or loss (or income and expenditure) for a period.
- Its requirements are applicable to the financial reporting of entities including those that are not constituted as companies and those that are not profit-oriented.
- **Public Listed Companies may not use FRS 102** they must use EU adopted IFRS

Content of FRS 102

1. **Scope of the FRS**
2. **Concepts and Pervasive Principles**
3. **Financial Statement Presentation**
4. **Statement of Financial Position**
5. **Statement of Comprehensive Income and Income Statement**
6. **Statement of Changes in Equity and Statement of Income and Retained Earnings**
7. **Statement of Cash Flows**
8. **Notes to the Financial Statements**
9. **Consolidated and Separate Financial Statements**
10. **Accounting Policies, Estimates and Errors**
11. **Basic Financial Instruments**
12. **Other Financial Instruments Issues**
13. **Inventories**
14. **Investments in Associates**
15. **Investments in Joint Ventures**
16. **Investment Property**

Content of FRS 102

17. **Property, Plant and Equipment**
18. **Intangible Assets other than Goodwill**
19. **Business Combinations and Goodwill**
20. **Leases**
21. **Provisions and Contingencies**
22. **Liabilities and Equity**
23. **Revenue**
24. **Grants**
25. **Borrowing Costs**
26. **Share-Based Payment**
27. **Impairment of Assets**
28. **Employee Benefits**
29. **Income Tax**
30. **Foreign Currency Translation**
31. **Hyperinflation**
32. **Events after the End of the Reporting Period**
33. **Related Party Disclosures**
34. **Specialised Activities**
35. **Transition to the FRS**

Transition to FRS 102

- Entities applying FRS 102 for the first time will need to present reconciliations of their Balance Sheets for the beginning and end of the comparative period and Profit or Loss for that period determined in accordance with previous financial reporting framework and in accordance with FRS102.

Transition to FRS 102

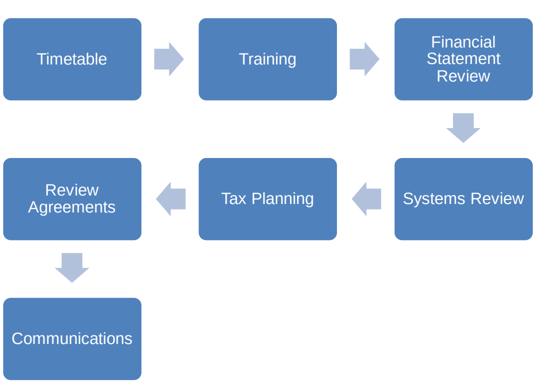
- For an entity with a 31 December year end the first year of mandatory application will be the year ending 31 December 2015.
- The entity will need to restate both its opening Balance Sheet as at 1 January 2014 and comparative Balance Sheet as at 31 December 2014 and Profit or Loss for the year ended 31st December 2014. This may, for example, require an entity to:

Transition to FRS 102

- Recognise assets and/or liabilities previously not recognised
- Not recognise items as assets or liabilities if FRS 102 does not permit their recognition
- Restate certain assets and liabilities at a different value – eg financial instruments previously measured using historical cost now measured at amortised cost using the effective interest rate method.
- Reclassify items – eg into different groupings in the cash flow statement.

		Reconciliation of capital and reserves					
		At 1 January 20X4			At 31 December 20X4		
	Note	As previously stated	Effect of transition	[draft] FRS 102 (as restated)	As previously stated	Effect of transition	[draft] FRS 102 (as restated)
Fixed assets		5,868	-	5,868	5,416	-	5,416
Current assets	(i)	2,475	15	2,490	2,520	17	2,537
Creditors: amounts falling due within one year	(i), (iii)	(2,355)	(16)	(2,371)	(1,824)	(20)	(1,844)
Net current assets		120	(1)	119	696	(3)	693
Total assets less current liabilities		5,988	(1)	5,987	6,112	(3)	6,109
Creditors: amounts falling due after more than one year	(i)	(2,900)	(6)	(2,906)	(2,840)	(3)	(2,843)
Provisions for liabilities		(410)	-	(410)	(465)	-	(465)
Net assets		2,678	(7)	2,671	2,807	(6)	2,801
Capital and reserves		2,678	(7)	2,671	2,807	(6)	2,801

		Reconciliation of retained profit or loss for the year		
		Year ended 31 December 20X4		
	Note	As previously stated	Effect of transition	FRS 102 (as restated)
Turnover		832	-	832
Cost of sales	(ii)	(520)	(3)	(523)
Gross profit		312	(3)	309
Administrative expenses	(i), (ii), (iii)	(65)	4	(61)
Other operating income		42	-	42
Operating profit		289	1	290
Interest receivable and similar income		5	-	5
Interest payable and similar charges		(130)	-	(130)
Taxation		(35)	-	(35)
Profit on ordinary activities after taxation and for the financial year		129	1	130



Plan for the Change

Practical Steps

- Set a Timetable and consider resource planning
- When does your transition year commence
- Set deadlines
- Do you need to establish a transition project?
- Need to obtain fair value at transition date
- Consider conversion costs

Financial Statements

- Assess the impact of FRS102 on each item in your financial statements
- Categorise Financial Instruments at an early stage
- Determination of distributable reserves
- Will dividend policy be affected by distributable profits changes

Agreements

- Consider agreements and terms of loans
- Bank or loan covenants based on accounting ratios
- Profit related compensations, bonuses and KPIs
- Existing agreements/policy for charging costs of group entities' defined benefit plans to individual group entities.

Tax Planning

- Taxes paid and payable
- Goodwill could result in allowable amortisation being charged to p&l over fewer years accelerating tax relief.
- Differences in the recognition of lease incentives could result in a change in the spread of tax relief for rental payments.
- Changes to the carrying value of an asset or liability could have a tax impact.
- Can existing tax planning strategies continue or might revisions be required?

Staff & Stakeholders

Training of staff
- Identify the staff who require training
- Set a training timetable in place

Identify and Educate stakeholders
- Stakeholders would be Accounts staff and other Directors/Managers and could also be depending on the company, Funders, Shareholders, Clients, Revenue
- Consider Communication plan for stakeholders
- As distributable profits may change due to the transition can you explain these changes to stakeholders

Systems Review

- Ensure systems are in place to gather required information
- Adequate records for annual leave – time not taken becomes an accrual
- IT system possible configuration issues
- Ability to access records and amend retrospectively where permitted

Ongoing Review Process

The FRC announced that it plans to carry out the first three year review of FRS 102 in 2016/17 with a view to the revised FRS 102 being effective in 2018.

Conclusion

Supporting Articles and the Standards are available on the CPA website at:

Members/Technical Resource/Financial Reporting/Latest Updates/FRS 102 Resource

Financial Reporting Council's website www.frc.org.uk the standard setters for UK and Irish GAAP

Thank You!
Any Questions?

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