



# FRS 102

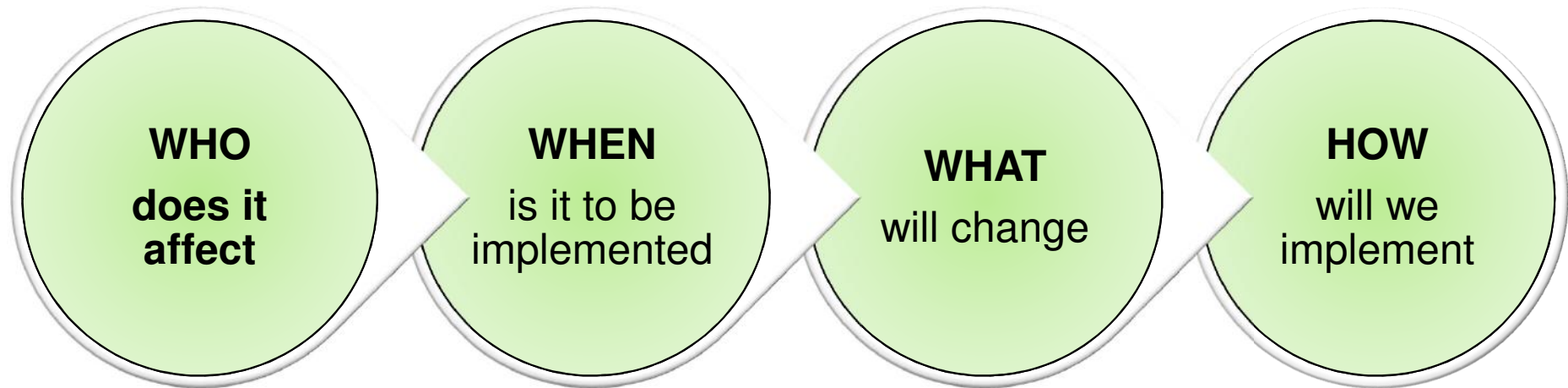
## The New UK GAAP



Tuesday 8<sup>th</sup> September 2015

Steve Neal & Ed Porter

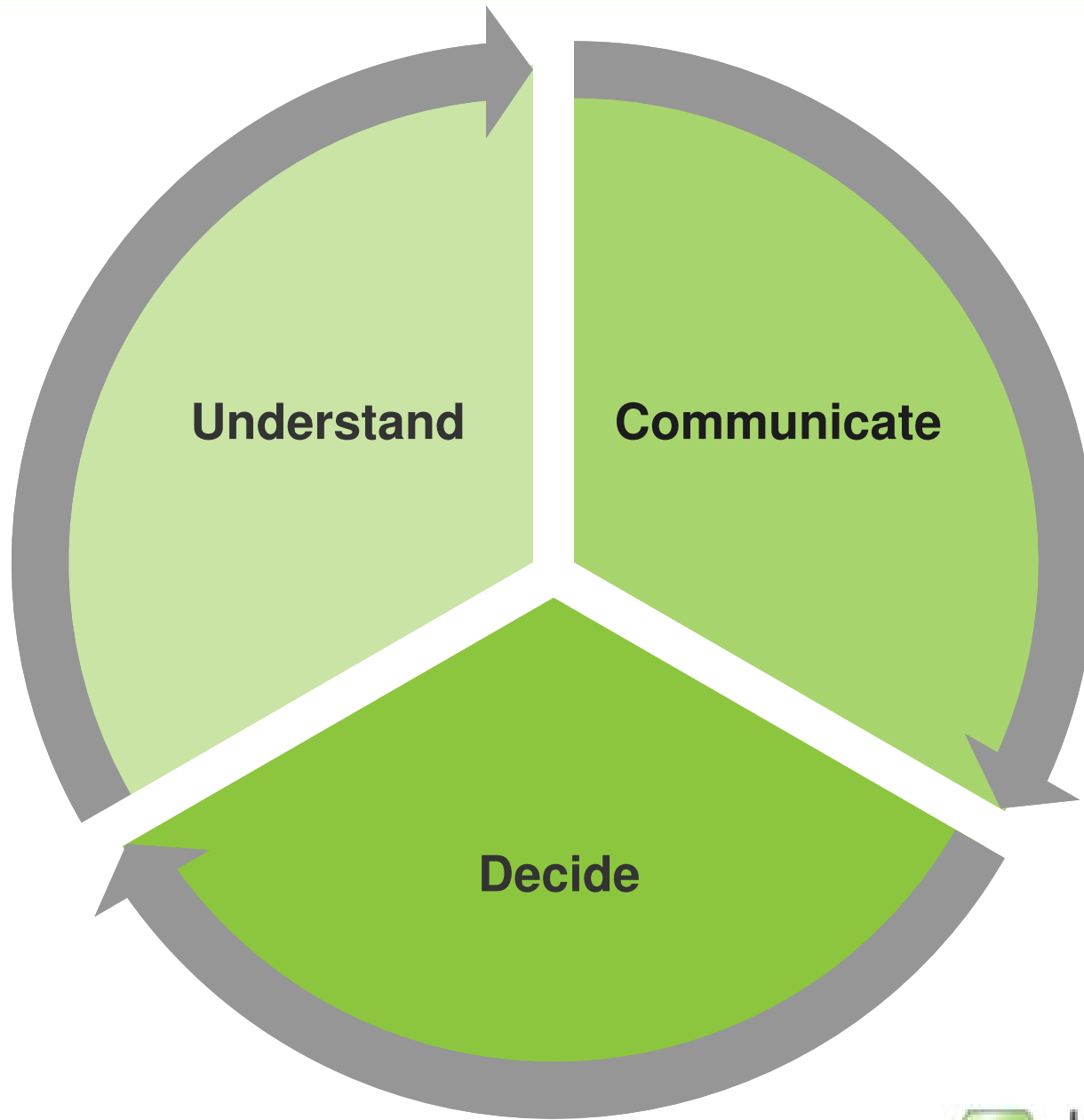
# Today's briefing: what will we cover



# WHO does it affect

- **All UK companies – except:**
  - IFRS



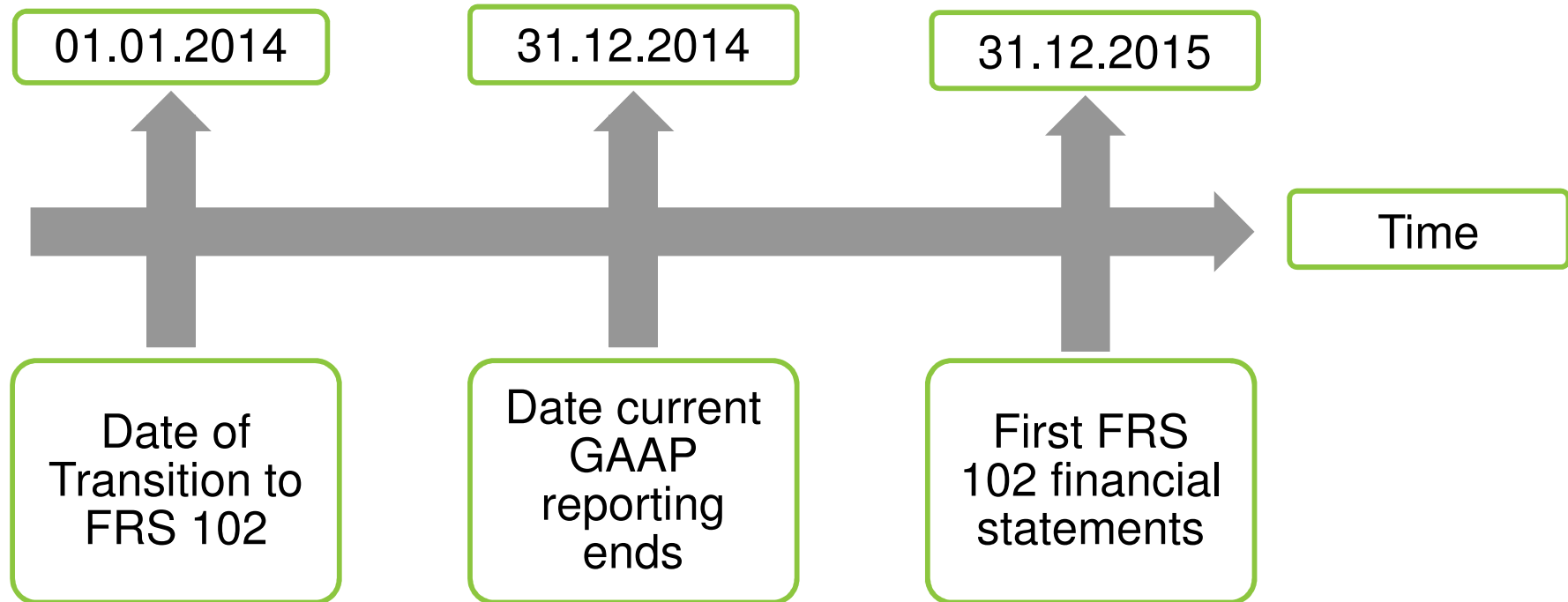


# When is it implemented

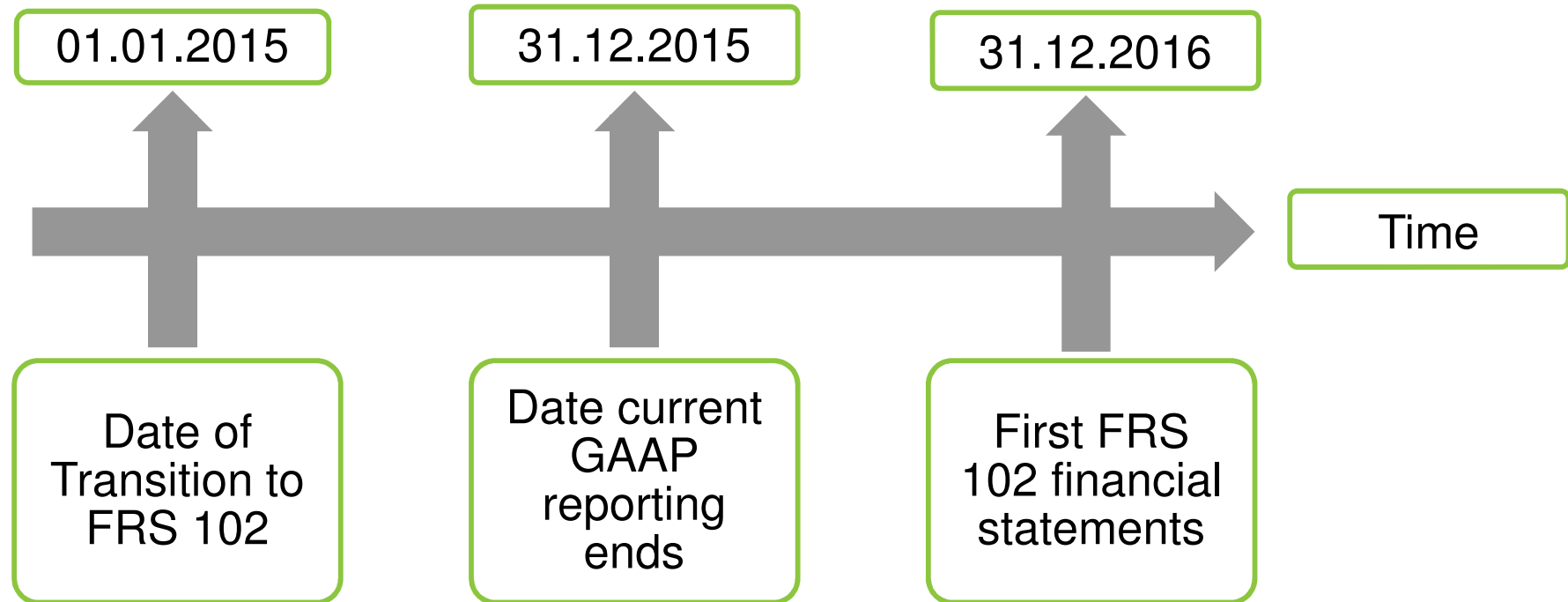
- From 1 January 2015 for 'non-small', 1 January 2016 for 'small'
- Early adoption is permissible
- Comparatives will be needed for 2014 & 2015 and therefore dates of transition are 1 January 2014 & 1 January 2015

*These are already in the past!*

# Dates for implementation 'non-small'



# Dates for implementation 'small'



# Early adoption???

- From 1 January 2015 small co thresholds increased:

*Turnover £6.5m - £10.2m*

*Gross assets £3.26m - £5.1m*

*Employees 50 (no change)*

- Some medium co's now small so can apply reduced framework in advance



# WHAT will change

Format of  
financial  
statements

Accounting  
policies

New terminology

# Accounting policies - Some key areas of change

- Focus on those most likely to affect owner managed companies



# Bank Debt

- Does it qualify as 'basic'
- Yes? Measured initially at 'cost', and then in the balance sheet at amortised cost
- No? Measured at fair value and then re-valued at each reporting date.



# Forward Contracts

- Used to just disclose in the notes...
- Under FRS 102 recognise at fair value at inception
- Recognise gain or loss at end of each financial reporting period



# Intercompany loans

- Loans to/from subsidiaries have been recognised at face value
- Under FRS 102, apply market rate of interest and record at net present value (discounted amount)



# Deferred tax

- Currently no requirement to provide for deferred tax on non-monetary assets when they are revalued
- Under FRS 102 likely to be additional provisions on revalued assets
- May result in a reduction in distributable profits & net assets

# Intangibles and Goodwill



- Intangibles other than goodwill to be recognised-at fair value
- Considered to have a finite life
- Presumption of no more than ten years - unless reliable estimate provided
- Tax

# Employee Benefits

- Accruals for holiday pay where holiday year does not match financial year





# Investment Properties

- To be valued at Fair value - at each reporting date
- Definition will include properties rented within groups
- Changes in value will go to Profit and Loss (not revaluation reserve)



# Business Combinations

- An intangible can be recognised if cost or value can be measured reliably
- More intangibles will be recognised e.g. customer lists
- Different amortisation periods may apply

# Some other issues

Lease incentives

Government grants

Impairment of stock

Treatment of errors

Defined benefit pension obligations

Derivatives and hedging

Related party transaction disclosures

Listed investments at Fair value

Borrowing costs

# Ask us a question



# Thank you for listening

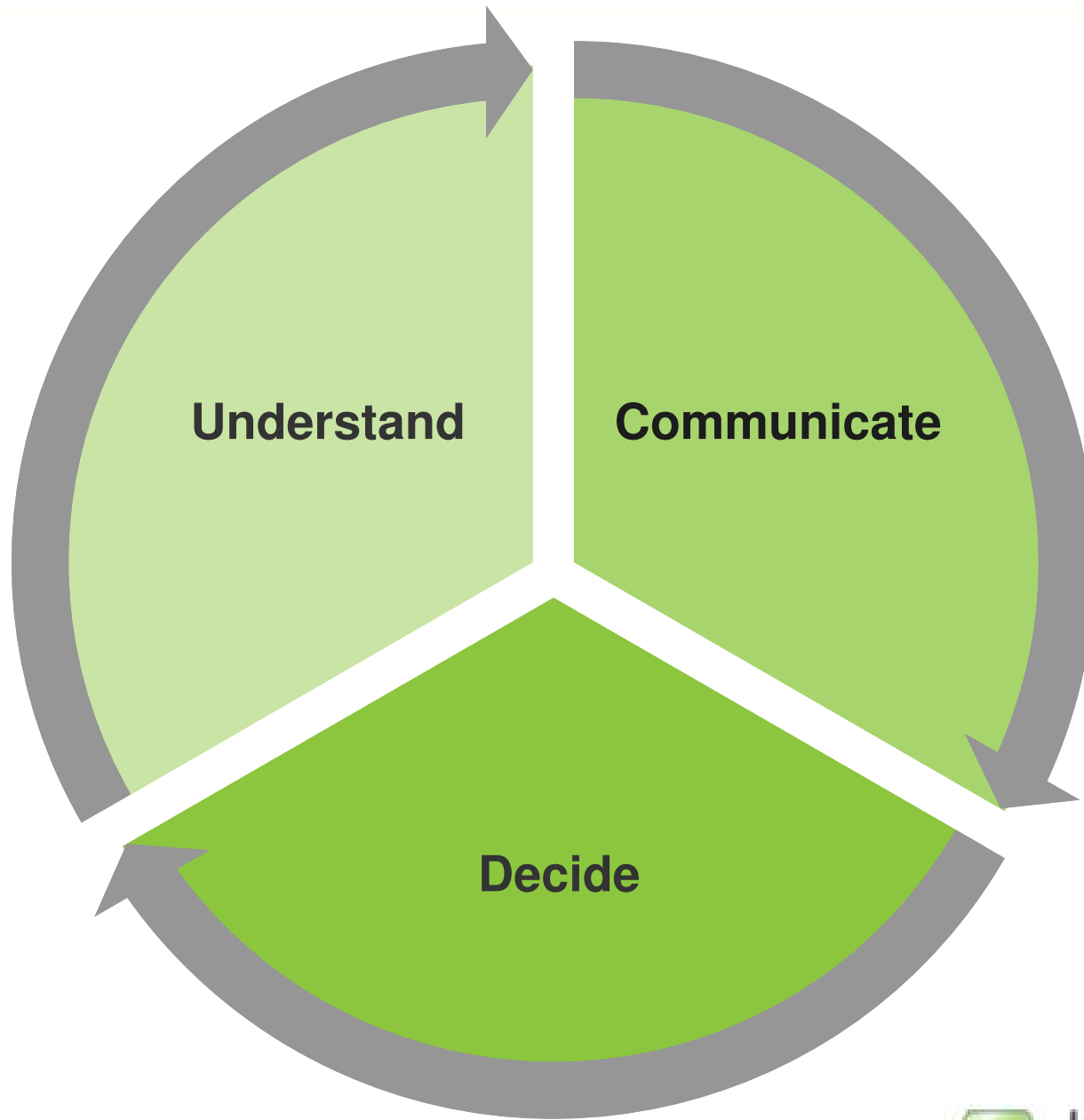
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# HOW will we implement



# Format of Financial Statements

Old terminology

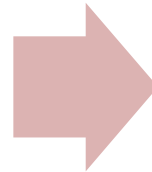
Profit & Loss account

STRGL

Cash flow

Balance sheet

Reconciliation of movement in shareholders funds



New terminology

Income Statement

Statement of comprehensive income

Statement of cash flows

Statement of financial position

Statement of changes in equity



# FRS 102 – opening balance sheet

- Recognise all assets & liabilities (per FRS 102)
- Not recognise assets & liabilities (per FRS 102)
- Reclassification under new rules
- Apply new measurement rules

## Example Reconciliation

Reconciliation of equity	31/12/14	01/01/14
	£	£
Equity under previous GAAP	xxx	xxx
Adjustments:		
Accrued holiday pay	(x)	(x)
Goodwill amortisation	(x)	(x)
Equity under FRS 102 (as adjusted)	<u>xxx</u>	<u>xxx</u>
Reconciliation of profit or loss		
Profit for year under previous GAAP	xx	
Holiday pay accrual	(x)	
Goodwill amortisation	(x)	
Profit for the year under FRS 102 (as adjusted)	<u>xx</u>	