



Financial Reporting Council

FRED 82 launch webinar

Amendments arising from the Periodic Review of FRS 102 and other FRSs

Presentation by:

Kate O'Neill

Director
Stakeholder Engagement and
Corporate Affairs

Jenny Carter

Director
Accounting & Reporting
Policy

Stephen Maloney

Senior Project Director
Accounting & Reporting
Policy

19 Jan 2023

Agenda

FRED 82 launch webinar



Section 01.
Overview of FRED 82



Section 04.
Q&A



Section 02.
Proposed amendments



Section 03.
Next steps

Overview of FRED 82

FRED 82

At a glance

Periodic Review

- Second periodic review of FRS 102 and other FRSs commenced March 2021 with request for views
- FRED 82 proposes amendments for public comment
- FRC has considered:



Changes to IFRS Accounting Standards



Changes proposed for third edition of *IFRS for SMEs* Accounting Standard



Stakeholder feedback in response to request for views



Other developments in corporate reporting

Proposed amendments and impact assessment

- The proposed amendments:
 - Update accounting requirements to reflect changes in IFRS Accounting Standards, including:
 - Revenue
 - Leases
 - Make other incremental improvements and clarifications
- Comments invited on all aspects of the draft amendments and on the consultation stage impact assessment
- Invitation to comment sets out 10 particular questions

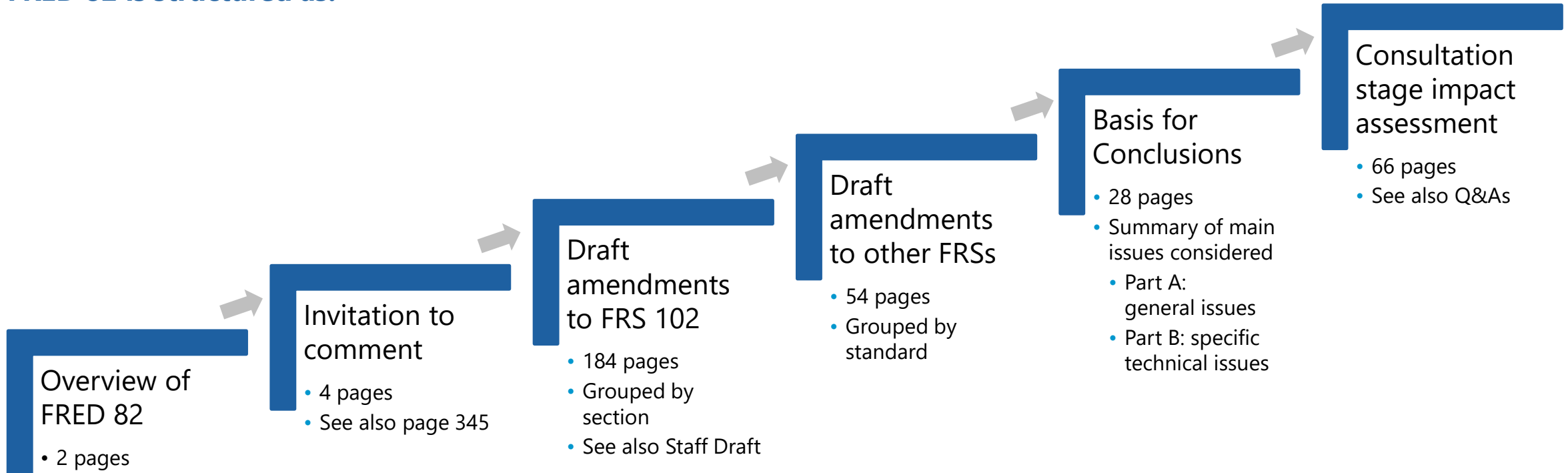
Effective date and comment deadline

- The proposed effective date is accounting periods beginning on or after 1 January 2025
- The comment deadline is 30 April 2023

FRED 82

Navigating the FRED

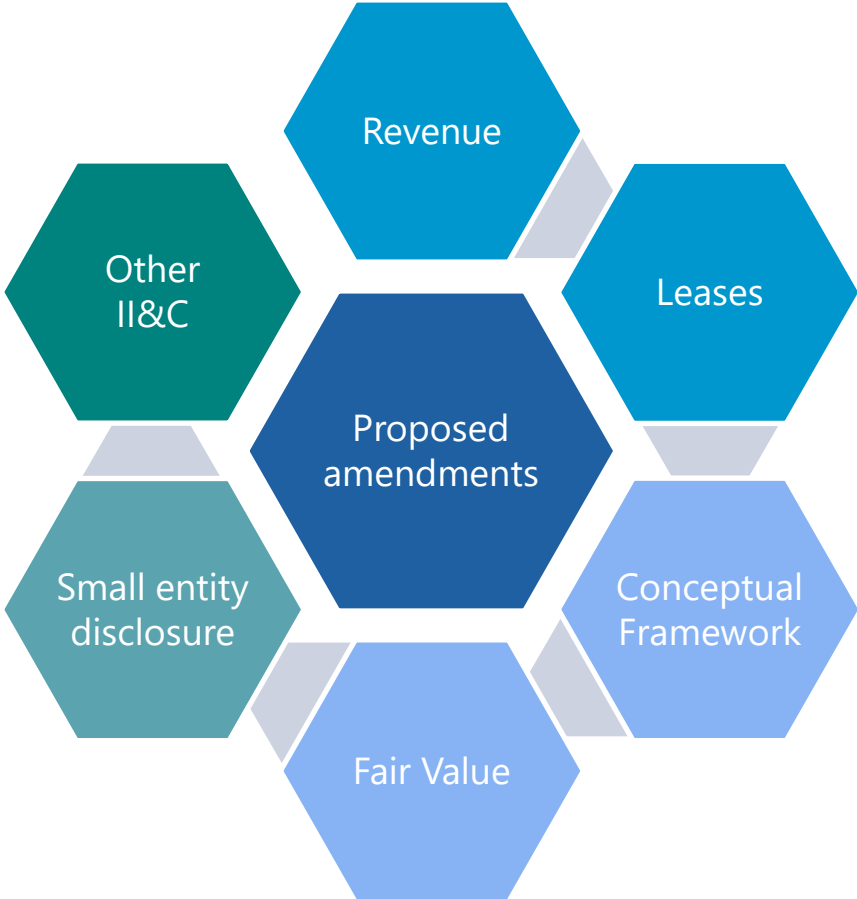
FRED 82 is structured as:



Proposed amendments

FRED 82

Summary of proposed amendments



FRED 82

Proposed amendments – revenue from contracts with customers



Revenue

Why align FRS 102 with IFRS 15?

- Five-step model developed to provide single comprehensive framework and more useful information to users.
- Effective since 1 January 2018 for IFRS preparers.
- Request for views feedback generally supported incorporating new model, providing done in a proportionate manner.
- Expected to result in more reliable reporting and increase comparability between entities.

Why align FRS 105 with IFRS 15?

- Consistency across all financial reporting frameworks.
- Comprehensive up-to-date model for all entities.
- Further adaptations and simplifications appropriate for micro-entities.

Note:

Consequential amendments also proposed to FRS 103 and its Implementation Guidance.

Making the IFRS 15 model proportionate for FRS 102 preparers:

Simpler language;
more succinct
drafting (structured
around five steps)

Minimise
mandatory GAAP
diffs to promote
efficiency in groups

Account for time
value of money on
payments in arrears

Simplified transition
with extended
practical expedients

Accounting policy
choice for costs to
obtain a contract

Simplified
accounting for
contract
modifications

Simplified
requirements for
allocation of a
discount

Simplified decisions
re. agent/principal;
customer put
options

Simplified decisions
re. licences
(right to use /
access)

FRED 82

Proposed amendments – leases



Why align FRS 102 with IFRS 16?

- On-balance sheet model developed to provide more faithful representation of leasing transactions and more useful information to users.
- Lessees recognise assets and liabilities for leases.
- Effective since 1 January 2019 for IFRS preparers.
- Request for views feedback generally supported new model, providing that simplifications could be offered.
- Expected to result in more relevant, improved information to users and increase comparability between entities.

Note:

FRED 82 does not contain proposals to align FRS 105 with IFRS 16.

Making the IFRS 16 model proportionate for FRS 102 preparers:

Simplified structure:
Application
Guidance included
in main body

Minimise
mandatory GAAP
diffs to promote
efficiency in groups

Discount rate:
'OBR' option;
gilt rate backstop

Mandate simplest
transition method;
permit IFRS 16
numbers

Simpler AP choice
available for sale
and leaseback
accounting

Fewer modifications
require new
discount rate

Index/rate-driven
variations in lease
payments permitted
to stay off-BS

'Low value' based
on value at start of
lease; more
examples given

Practical
expedients for
multi-component
contracts

Updates to Section 2 *Concepts and Pervasive Principles*

- A revised Section 2 of FRS 102 and FRS 105, updated to reflect the IASB's *Conceptual Framework for Financial Reporting*, issued in 2018.
- To support FRC principles of:
 - Seeking up-to-date IFRS-based solutions
 - Consistent principles for accounting by all entities
- Simplified wording compared with IASB proposals.

Updates to Section 2A *Fair Value Measurement*

- A new Section 2A of FRS 102, replacing the Appendix to Section 2.
- Definition of fair value revised based on IFRS 13 definition (effective 2013).
- More comprehensive guidance on fair value measurement.
- Fair value disclosure requirements *not* proposed to be centralised in Section 2A.

FRED 82

Small entity disclosure requirements



Small
entity
disclosure

Section 1A (UK entities)

- No change in requirement to give a true and fair view
- No change in legally-required minimum disclosures (Appendix C and *)
- Additional disclosures now specifically identified as required (Appendix C and †)
- No longer any 'encouraged' disclosures (Appendix E)

Section 1A (Republic of Ireland entities)

- No change in requirement to give a true and fair view
- No change in legally-required minimum disclosures (Appendix D)
- No change in 'encouraged' disclosures (Appendix E)

FRED 82

Other incremental improvements and clarifications



Other
II&C

Selected highlights

Section 3:
Positive statement re.
GC basis application and
consideration of future

Section 11/12:
Removal of IAS 39
option (unless
already taken)

Section 19:
Identifying the acquirer

Section 19:
Consideration vs.
remuneration

Section 19:
Additional disclosure
requirements

Section 26:
Measurement of
cash-settled SBP

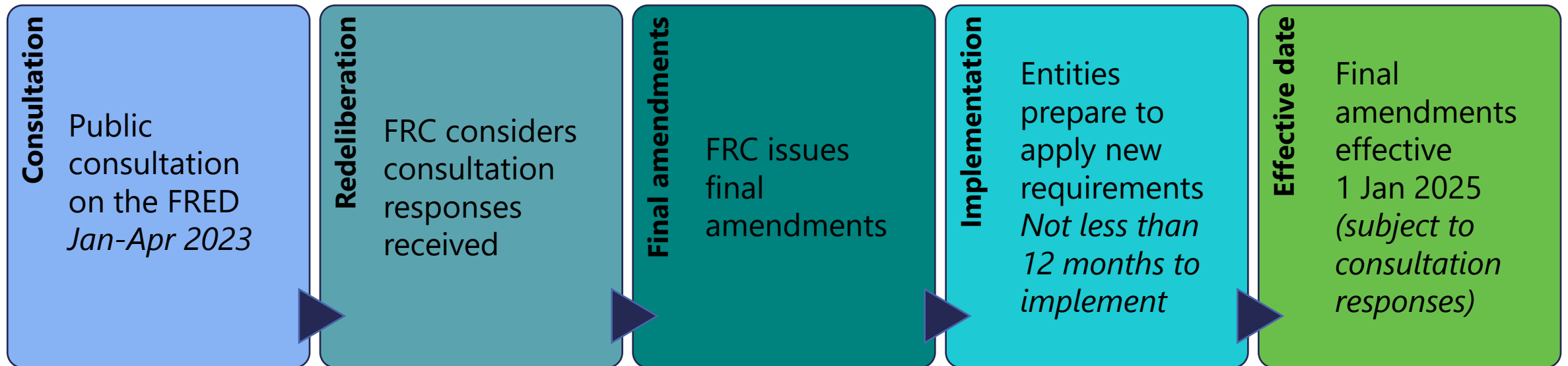
Section 26:
SBP with cash
alternatives

Section 29:
Uncertain tax
treatments
(IFRIC 23)

Next steps

FRED 82

Next steps



FRED 82

Invitation to comment

Comments are invited in writing on all aspects of the draft amendments.

In particular, comments are sought in relation to the questions below:

Q1:
Disclosure

Q2:
Concepts
and pervasive
principles

Q3:
Fair value

Q4:
Expected credit
loss model

Q5:
Other financial
instruments issues

Q6:
Leases

Q7:
Revenue

Q8:
Effective date and
transitional
provisions

Q9:
Other comments

Q10:
Consultation stage
impact assessment

FRED 82

Find out more and have your say

To find out more, visit our FRED 82 webpage at frc.org.uk/FRED82, where you can:



Read FRED 82, the Staff Draft of FRS 102, and the Q&As on the consultation stage impact assessment



Listen to our podcast discussing FRED 82



Register for our roundtable events, including topic-specific sessions (coming soon)



Complete a short survey to help inform our outreach

To stay up to date with this and other FRC developments:




Subscribe to our newsletters and alerts at frc.org.uk/sign-up

To have your say on our proposals:



Send your comments to ukfrsperiodicreview@frc.org.uk by 30 April 2023



“The publication of FRED 82 is a significant milestone in the continuing evolution of UK and Ireland financial reporting standards, and we look forward to receiving stakeholders’ responses to the proposed amendments.”

Mark Babington
Executive Director of Regulatory Standards



Any questions?

The FRC does not accept any liability to any party for any loss, damage or costs howsoever arising, whether directly or indirectly, whether in contract, tort or otherwise from any action or decision taken (or not taken) as a result of any person relying on or otherwise using this document or arising from any omission from it.

© The Financial Reporting Council Limited 2023

The Financial Reporting Council Limited is a company limited by guarantee.

Registered in England number 2486368. Registered Office:

8th Floor, 125 London Wall, London EC2Y 5AS



Financial Reporting Council

**Financial
Reporting Council**

8th Floor
125 London Wall
London EC2Y 5AS
+44 (0)20 7492 230

www.frc.org.uk

Follow us on
 Twitter [@FRCnews](https://twitter.com/FRCnews)
or  **LinkedIn**.