



December 2022

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FRED 81

FRS 101

*Reduced Disclosure Framework*

2022/23 cycle

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**FRED 81**

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*Reduced Disclosure Framework*

2022/23 cycle



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## **Overview**

- (i) The FRC's overriding objective in setting accounting standards is to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users' information needs.
- (ii) The FRC carries out an annual review of FRS 101 *Reduced Disclosure Framework* to provide additional disclosure exemptions as International Financial Reporting Standards (IFRS) evolve and to respond to stakeholder feedback about other possible improvements.

### **FRS 101 *Reduced Disclosure Framework***

- (iii) After considering the 2022/23 annual review of FRS 101 this Financial Reporting Exposure Draft (FRED) proposes no amendments to FRS 101.

## Invitation to comment

- 1 The FRC is requesting comments on FRED 81 by 28 February 2023. The FRC is committed to developing standards based on evidence from consultation with users, preparers and others. Comments are invited in writing on all aspects of FRS 101. In particular, comments are sought in relation to the questions below.

### **Question 1**

Do you agree that no amendments are required to FRS 101 in this cycle?  
If not, why not?

### **Question 2**

Do you agree with the conclusions in the Consultation stage impact assessment?  
If not, why not?

- 2 Information on how to submit comments and the FRC's policy in relation to responses is set out on page 9.



## **FRS 101 *Reduced Disclosure Framework***

- 1 This FRED does not propose to make any amendments to FRS 101 *Reduced Disclosure Framework*.

## **Basis for Conclusions**

### **FRED 81 FRS 101 Reduced Disclosure Framework – 2022/23 cycle**

*This Basis for Conclusions accompanies, but is not part of, this Financial Reporting Exposure Draft and summarises the main issues considered by the Financial Reporting Council (FRC) in developing FRED 81 FRS 101 Reduced Disclosure Framework – 2022/23 cycle.*

*When these proposals are finalised, the Basis for Conclusions accompanying FRS 101 will be updated.*

- 1 FRS 101 sets out an optional reduced disclosure framework which addresses the financial reporting requirements for individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of adopted IFRS. Disclosure exemptions are available to a qualifying entity in its individual financial statements.
- 2 When applying FRS 101 and deciding which disclosure exemptions to take advantage of, entities should bear in mind the need to ensure that disclosures are relevant and targeted to meet the needs of users.

#### **Objective**

- 3 In developing financial reporting standards, the overriding objective of the FRC is to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users' information needs.
- 4 In achieving this objective, the FRC aims to provide succinct financial reporting standards that:
  - (a) have consistency with global accounting standards through the application of an IFRS-based solution unless an alternative clearly better meets the overriding objective;
  - (b) balance improvement, through reflecting up-to-date thinking and developments in the way businesses operate and the transactions they undertake, with stability;
  - (c) balance consistent principles for accounting by all UK and Republic of Ireland entities with proportionate and practical solutions, based on size, complexity, public interest and users' information needs;
  - (d) promote efficiency within groups; and
  - (e) are cost-effective to apply.
- 5 In respect of FRS 101, the following principles have been applied in determining which of the disclosure requirements in adopted IFRS should be required by qualifying entities<sup>1</sup>:
  - (1) Relevance:

Does the disclosure requirement provide information that is capable of making a difference to the decisions made by the users of the financial statements of a qualifying entity?
  - (2) Cost constraint on useful financial reporting:

Does the disclosure requirement impose costs on the preparers of the financial statements of a qualifying entity that are not justified by the benefits to the users of those financial statements?

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<sup>1</sup> Refer to Appendix I *Glossary* of FRS 101 *Reduced Disclosure Framework* for the definition of "qualifying entity".

(3) Avoid gold plating:

Does the disclosure requirement override an existing exemption provided by company law in the UK?

6 In considering the users of financial statements, the application of the above principles reflects the fact that qualifying entities usually have few users of their financial statements, and particularly few users that would be external to the group that the qualifying entity is part of.

### IASB projects completed since the 2021/22 cycle

7 The 2022/23 cycle considered IASB projects completed between 1 September 2021 and 31 August 2022. The IASB has issued the following amendments:

	IASB project	Date issued	Date effective	Date endorsed in the EU	Date adopted in the UK
1	<i>Initial Application of IFRS 17 and IFRS 9—Comparative Information</i>	Dec 2021	1 Jan 2023	Sep 2022	May 2022

8 The amendments<sup>2</sup> resulting from this project were reviewed in the context of the reduced disclosure framework for any amendments that:

- (a) alter disclosure requirements, as consideration will need to be given to whether changes should be made to the disclosure exemptions permitted in FRS 101; and/or
- (b) are inconsistent with current UK legal requirements, as consideration will need to be given to whether changes should be made to the *Application Guidance Amendments to adopted IFRS for Compliance with the Act and the Regulations* to FRS 101.

9 This FRED does not propose to make any amendments to FRS 101 for the changes to IFRS arising from these amendments.

10 **Initial Application of IFRS 17 and IFRS 9—Comparative Information:** The amendments to IFRS 17 *Insurance Contracts* require disclosure of some qualitative information when an entity applies an optional transitional arrangement. Insurers cannot apply FRS 101<sup>3</sup>, but for any other qualifying entities with insurance contracts FRS 101 does not provide any exemptions from the disclosures required by IFRS 17 and the FRC does not propose to alter that approach.

<sup>2</sup> The full IASB documents setting out the amendments for each project are available on the IASB website: <https://www.ifrs.org/issued-standards/list-of-standards/>

<sup>3</sup> For further details, refer to paragraphs 61B to 61E of the Basis for Conclusions to FRS 101.

## Consultation stage impact assessment

### Introduction

- 1 The FRC is committed to a proportionate approach to the use of its powers, making effective use of impact assessments and having regard to the impact of regulation on small enterprises.
- 2 FRS 101 *Reduced Disclosure Framework* is an optional standard that is intended to enable cost-efficient financial reporting within groups, particularly those applying adopted IFRS in their consolidated financial statements. Therefore, it is only applied by those qualifying entities that consider it a cost-effective option for the preparation of their individual financial statements.

### No amendments proposed to FRS 101

- 3 Given the nature of the amendments issued by the IASB, the FRC is not proposing to make any amendments to FRS 101.

### Conclusion

- 4 Overall, the FRC believes that FRS 101 will continue to have a positive impact on the cost-effectiveness of the preparation of financial statements.

This draft is issued by the Financial Reporting Council for comment. It should be noted that the draft may be modified in the light of comments received before being issued in final form.

For ease of handling, we prefer comments to be sent by e-mail to:

[ukfrs@frc.org.uk](mailto:ukfrs@frc.org.uk)

Comments may also be sent in hard copy to:

Accounting and Reporting Policy team  
Financial Reporting Council  
8<sup>th</sup> Floor  
125 London Wall  
London  
EC2Y 5AS

Comments should be despatched so as to be received no later than 28 February 2023. If you have sent a copy of your response electronically, there is no need to send an additional hard copy.

The FRC's usual policy is to publish on its website all responses to formal consultations issued by the FRC unless the respondent explicitly requests otherwise. An automatic confidentiality statement in an e-mail message will not be regarded as a request for non-disclosure. Please be aware that we cannot guarantee confidentiality of consultation responses in all circumstances.

The FRC may not edit (but may redact) personal information (such as telephone numbers or postal or e-mail addresses) from submissions; therefore, only information that you wish to be published should be submitted.

We will process your personal data in accordance with applicable UK data protection laws. Please see our privacy policy.<sup>4</sup>

The FRC aims to publish responses within 10 working days of receipt.

The FRC will publish a summary of the consultation responses, either as part of, or alongside, its final decision.

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<sup>4</sup> <https://www.frc.org.uk/about-the-frc/procedures-and-policies/privacy-the-frc>







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