Financial Reporting Council

Feedback Statement

Amendments to FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and other FRSs – Periodic Review 2024

March 2024

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1. Executive Summary

(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) In achieving its overriding objective, the FRC aims to provide succinct financial reporting standards that, amongst other things, have consistency with global accounting standards through the application of an IFRS-based solution, unless an alternative clearly better meets the overriding objective.

(iii) In December 2022, as part of the second periodic review of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, the FRC issued FRED 82 *Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs – Periodic Review*. The proposals set out in FRED 82 included a new model of revenue recognition in FRS 102 and FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*; a new model of lease accounting in FRS 102; and various other incremental improvements and clarifications. Comments were invited on all aspects of the draft amendments, and in particular in relation to ten questions set out in the invitation to comment.

(iv) In 54 written responses, respondents largely supported the proposals set out in FRED 82, but made a number of suggestions to improve the proposals, which the FRC has taken into account in finalising the amendments.

(v) In September 2023, the FRC issued FRED 84 *Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Supplier finance arrangements*. FRED 84 contained proposals to introduce disclosure requirements in respect of supplier finance arrangements.

(vi) In 12 written responses, respondents largely supported the proposals set out in FRED 84, but expressed mixed views about the proposed requirement to disclose amounts settled by finance providers with suppliers, and about the applicability of a disclosure exemption for qualifying entities. The FRC has taken these comments into account in finalising the amendments.

(vii) In March 2024, the FRC issued *Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs – Periodic Review 2024*, finalising the proposals set out in FRED 82 and FRED 84.

(viii) This Feedback Statement summarises the responses received to FRED 82 and FRED 84 and the FRC's response to them.

2. Introduction and background

1. The purpose of the FRC is to serve the public interest by setting high standards of corporate governance, reporting and audit and by holding to account those responsible for delivering them.

2. 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. In achieving its overriding objective, the FRC aims to provide succinct financial reporting standards that, amongst other things, have consistency with global accounting standards through the application of an IFRS-based solution unless an alternative clearly better meets the overriding objective.

3. *Amendments to FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland – Periodic Review 2024* (the *Periodic Review 2024 amendments*) finalises amendments to the FRC's accounting standards consulted on in FRED 82 *Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs – Periodic Review* and FRED 84 *Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Supplier finance arrangements*.

4. The FRC issued FRED 82 on 15 December 2022, with the comment period closing on 30 April 2023. The FRC received 54 responses to FRED 82.

5. The FRC issued FRED 84 on 28 September 2023, with the comment period closing on 31 December 2023. The FRC received 12 responses to FRED 84.

6. Copies of the responses received to FRED 82 and FRED 84 can be found on the FRC website.

7. The table below sets out the number and category of respondent for each consultation.

Table 1: Category of Respondent

Respondent category	Number (FRED 82)	Number (FRED 84)
Accountancy firms	17	7
Accountancy professional bodies	5	5
Representative bodies of preparers	6	-
SORP-making bodies	5	-
Preparers[1]	12	-
Other[2]	9	-
Total	**54**	**12**

[1] Including seven similar responses from preparers in the same group.
[2] 'Other' includes respondents that are individuals, training providers and other organisations not captured in the above categories.

3. Summary of responses

8. The purpose of this Feedback Statement is to summarise the comments received in response to FRED 82 (54 responses) and FRED 84 (12 responses), and the FRC's response to them.

9. In relation to FRED 82, the responses have been separately presented for FRS 102 and for other FRSs when relevant.

10. In analysing the responses, judgement has been applied in categorising the comments. When respondents did not address a question or stated that they had no comment, this is reflected under the category of 'Did not comment' throughout.

Responses to the public consultation (FRED 82)

Question 1: Disclosure

1(a) Do you have any comments on the proposed overall level of disclosure required by FRS 102?

11. Generally, respondents who addressed this question were satisfied with the proposed overall level of disclosure required by FRS 102.

12. Whilst respondents acknowledged the increase in the level of required disclosure as a result of the proposed amendments, particularly on initial application of the changes, they stated that the benefits of this additional information would outweigh the familiarisation and preparation costs on initial application.

13. One respondent suggested that clarity could be improved around the identity and the needs of users of FRS 102 financial statements, in order to assess whether the level of disclosure continues to remain suitable for users' needs.

FRC response

14. Respondents generally supported the overall level of disclosure required by FRS 102, including as a result of the amendments proposed.

1(b) Do you believe that users of financial statements prepared under FRS 102 will generally be able to obtain the information they seek? If not, why not?

Table 2: Summary of responses to Question 1(b)

Category of response	Number
Agreed	6
Agreed with reservations	19
Disagreed	4
Provided other comments	1
Sub-total	**30**
Did not comment	24
Total	**54**

15. Overall, respondents believed that users of financial statements would be able to obtain the information they seek. Those who agreed, or agreed with reservations, noted that the FRC had taken a proportionate approach for reporting requirements, taking into account the size and range of entities applying FRS 102.

16. A small number of respondents in certain sectors disagreed, stating that certain extant disclosures are excessive and not cost-effective, particularly with regards to the disclosure of comparative information.

FRC response

17. The FRC notes respondents' views that the level of disclosure required by FRS 102 is generally appropriate and therefore generally meet the FRC's overriding objective in setting accounting standards.

Question 2: Concepts and pervasive principles

The proposed revised Section 2 Concepts and Pervasive Principles of FRS 102 and FRS 105 would broadly align with the IASB's 2018 *Conceptual Framework for Financial Reporting*.

The IASB's Exposure Draft *Third edition of the IFRS for SMEs Accounting Standard* (IASB/ED/2022/1) contains similar proposals. The FRC considers it appropriate that FRS 102 and FRS 105 should be based on the same concepts and pervasive principles as IFRS Accounting Standards including the *IFRS for SMEs* Accounting Standard, given the FRC's aim of developing financial reporting standards that have consistency with global accounting standards.

The FRC has made different decisions from the IASB in some respects in developing proposals to align FRS 102 and FRS 105 with the 2018 *Conceptual Framework* in a proportionate manner.

2(a) Do you agree with the proposal to align FRS 102 and FRS 105 with the 2018 *Conceptual Framework*? If not, why not?

Table 3: Summary of responses to Question 2(a)

Category of response	FRS 102	FRS 105
Agreed	23	7
Agreed with reservations	4	2
Disagreed	2	-
Sub-total	**29**	**9**
Did not comment	25	45
Total	**54**	**54**

18. Of those who responded to Question 2(a), most respondents agreed with the FRC's proposal to align Section 2 of the standards to the IASB's 2018 Conceptual Framework.

FRC response

19. Taking this feedback into account, the FRC has finalised its proposal to align Section 2 of FRS 102 and FRS 105 with the IASB's 2018 *Conceptual Framework*.

This FRED, and IASB/ED/2022/1, propose to continue using the extant definition of an asset for the purposes of Section 18 *Intangible Assets other than Goodwill* and the extant definition of a liability for the purposes of Section 21 *Provisions and Contingencies* of FRS 102. This is consistent with the approach taken in IAS 38 *Intangible Assets* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, which use the definitions of an asset and a liability from the IASB's 1989 *Framework for the Preparation and Presentation of Financial Statements*.

2(b) Do you agree with this approach? If not, why not?

Table 4: Summary of responses to Question 2(b)

Category of response	Number
Agreed	16
Agreed with reservations	2
Disagreed	5
Sub-total	**23**
Did not comment	31
Total	**54**

20. Most respondents who commented on this proposal agreed with it. Those that disagreed expressed a preference for the same definitions to be used throughout the standard.

FRC response

21. The FRC has proceeded as proposed: the extant definitions of an asset and a liability are retained for the purposes of Section 18 *Intangible Assets other than Goodwill* and Section 21 *Provisions and Contingencies* respectively.

2(c) Do you have any other comments on the proposed revised Section 2?

22. Most of the respondents who commented on question 2 raised additional comments for consideration.

FRC response

23. All comments have been considered and a number of amendments have been made in finalising the proposals.

Question 3: Fair value

The proposed Section 2A *Fair Value Measurement* of FRS 102 would align the definition of fair value, and the guidance on fair value measurement, with that in IFRS *13 Fair Value Measurement*.

3(a) Do you agree with this proposal? If not, why not?

Table 5: Summary of responses to Question 3(a)

Category of response	Number
Agreed	21
Agreed with reservations	8
Disagreed	-
Sub-total	**29**
Did not comment	25
Total	**54**

24. All respondents who commented on this proposal agreed with it. Those with reservations thought that some of the requirements of IFRS 13 that had been omitted from proposed Section 2A of FRS 102 should have been included in the proposals, or thought that it would be helpful to incorporate more detail from IFRS 13 into Section 2A of FRS 102 so that the requirements are applied more consistently.

FRC response

25. The FRC has made amendments to align the definition of fair value, and the guidance on fair value measurement, with that in IFRS 13.

26. *The Periodic Review 2024 amendments* reflect feedback from respondents and include further requirements and detail from IFRS 13. For example, a transitional requirement to apply the new section prospectively, and additional guidance on how to address non-performance risk.

3(b) Do you agree with the proposed consequential amendment to Section 26 *Share-based Payment* of FRS 102 to retain the extant definition of fair value for the purposes of that section? If not, why not?

Table 6: Summary of responses to Question 3(b)

Category of response	Number
Agreed	17
Agreed with reservations	1
Disagreed	4
Sub-total	**22**
Did not comment	32
Total	**54**

27. Most respondents who commented on this proposal agreed with it. The respondent with reservations was concerned about the drafting of the requirement but supported the overall proposal. Those that disagreed expressed a preference for a single definition of fair value to be used throughout the standard.

FRC response

28. The FRC has proceeded as proposed: the extant definition of fair value is retained for Section 26. This approach is consistent with the approach taken in IFRS 2 *Share-based Payment*, upon which Section 26 of FRS 102 is based.

Question 4: Expected credit loss model

The FRC intends to defer its conclusion as to whether to align FRS 102 with the expected credit loss model of financial asset impairment from IFRS 9 *Financial Instruments* pending the issue of the IASB's third edition of the *IFRS for SMEs* Accounting Standard. Any proposals to align with the expected credit loss model will therefore be presented in a later FRED.

4(a) Do you agree with this approach? If not, why not?

Table 7: Summary of responses to Question 4(a)

Category of response	Number
Agreed	25
Agreed with reservations	2
Disagreed	2
Sub-total	**29**
Did not comment	25
Total	**54**

29. Most respondents who commented agreed with the FRC's proposal to defer its conclusion. However, a small number of respondents stated that the FRC should have been able to reach conclusions, or present a comprehensive analysis of the options available, without awaiting either the IASB's post-implementation review of IFRS 9, or the third edition of the *IFRS for SMEs* Accounting Standard.

FRC response

30. The FRC's principles in setting accounting standards include seeking IFRS-based solutions where possible. The FRC believes it is appropriate in this case to await the outcome of the IASB's related projects. As a result, it remains the case that any proposals to align with the expected credit loss model will be subject to public consultation at a later date.

In IASB/ED/2022/1 the IASB proposes to retain the incurred loss model for trade receivables and contract assets, and introduce an expected credit loss model for other financial assets measured at amortised cost. The FRC's preliminary view is that, in the context of FRS 102, it may be appropriate to require certain entities to apply an expected credit loss model to their financial assets measured at amortised cost, but allow other entities to retain the incurred loss model.

4(b) Do you agree with this view? If not, why not?

Based on stakeholder feedback received to date, the FRC does not intend to use the existing definition of a financial institution to define the scope of which entities should apply an expected credit loss model. The FRC's preliminary view is that it may be appropriate to define the scope based on an entity's activities (such as entering into regulated or unregulated credit agreements as lender, or finance leases as lessor), or on whether the entity meets the definition of a public interest entity.

4(c) Do you have any comments on which entities should be required to apply an expected credit loss model?

31. Most respondents who commented agreed that it should be an entity's activities, rather than its size or legal form, that determined whether it applied an expected credit loss model. There was significant overlap in which activities were cited as relevant.

32. Otherwise, there was significant diversity in the responses received with respect to whether, and to which entities or assets, an expected credit loss model should be applied.

33. Many respondents highlighted cost-benefit considerations, with several mentioning difficulties in applying an expected credit loss model to intra-group balances.

FRC response

34. The feedback received has provided a valuable cross-section of current views on this topic, which will help to inform the FRC's future work.

Question 5: Other financial instruments issues

When it has reached its conclusion as to whether to align FRS 102 with the expected credit loss model, the FRC intends to remove the option in paragraphs 11.2(b) and 12.2(b) of FRS 102 to follow the recognition and measurement requirements of IAS 39 *Financial Instruments: Recognition and Measurement*. This intention was communicated in paragraph B11.5 of the Basis for Conclusions to FRS 102 following the Triennial Review 2017. In preparation for the eventual removal of the IAS 39 option, the FRC proposes to prevent an entity from newly adopting this accounting policy.

5(a) Do you agree with this proposal? If not, why not?

Table 8: Summary of responses to Question 5(a)

Category of response	Number
Agreed	21
Agreed with reservations	1
Disagreed	2
Sub-total	**24**
Did not comment	30
Total	**54**

35. Most respondents who commented agreed with the proposal to limit the availability of the IAS 39 option. However, respondents observed that the proposal, as drafted in FRED 82, would prevent an entity from selecting the IAS 39 option in order to align its accounting policies with those of other group entities (for example, after a business combination). Two respondents stated that they believed it was too soon to restrict the availability of the IAS 39 option.

FRC response

36. The FRC agreed that an entity should be permitted to select the IAS 39 option in certain circumstances to achieve consistency of accounting policies within a group. Paragraph 35.8C of FRS 102 was amended to permit the IAS 39 option to be selected on transition to FRS 102 in these circumstances, and paragraphs 11.2 and 12.2 were similarly amended to permit an entity already applying FRS 102 to move to the IAS 39 option in these circumstances.

Temporary amendments were made to FRS 102 in December 2019 and December 2020 in relation to interest rate benchmark reform (IBOR reform). The FRC intends to consider, alongside the future consideration of the expected credit loss model, whether these temporary amendments have now served their purpose and could be removed.

5(b) Do you support the deletion of these temporary amendments? If so, when do you think they should be deleted? If not, why not?

Table 9: Summary of responses to Question 5(b)

Category of response	Number
Agreed	22
Disagreed	1
Sub-total	**23**
Did not comment	31
Total	**54**

37. Most respondents who commented supported the future deletion of the temporary amendments. There was a wide range of views as to when such deletion should take place, with a consensus that there was no particular urgency to do so.

FRC response

38. In line with its proposals in FRED 82, the FRC has not deleted the temporary IBOR amendments in the *Periodic Review 2024 amendments*. Given that they were, by their nature, temporary, the FRC expects to delete these amendments in due course, and will consider this further in a future project.

Question 6: Leases

FRED 82 proposes to revise the lease accounting requirements in FRS 102 to reflect the on-balance sheet model from IFRS 16 *Leases*, with largely optional simplifications aimed at ensuring the lease accounting requirements in FRS 102 remain cost-effective to apply. An entity electing not to take these proposed simplifications will follow requirements closely aligned to those of IFRS 16, which is expected to promote efficiency within groups.

6(a) Do you agree with the proposals to revise Section 20 *Leases* of FRS 102 to reflect the on-balance sheet lease accounting model from IFRS 16, with simplifications? If not, why not?

Table 10: Summary of responses to Question 6(a)

Category of response	Number
Agreed	7
Agreed with reservations	19
Disagreed	17
Sub-total	**43**
Did not comment	11
Total	**54**

39. The majority of respondents who commented were in favour of aligning FRS 102 with the on-balance sheet lease accounting model from IFRS 16.

40. In many cases, respondents had reservations about how the FRC had proposed to achieve this alignment. Respondents commented that, by starting from IFRS 16 and adding a number of optional simplifications, the FRC had arrived at proposals that, whilst attempting to be proportionate, were unduly complicated and might not be significantly easier for preparers to apply than IFRS 16.

41. Respondents who disagreed with the proposals cited the view that the costs of applying an on-balance sheet model did not outweigh the benefits, particularly for smaller entities (including smaller charities).

FRC response

42. The FRC has proceeded with its proposal to introduce an on-balance sheet lease accounting model in FRS 102. In response to the feedback received, it has taken two key actions:

    (a) The number of optional simplifications has been reduced compared with the proposals in FRED 82, taking into account respondents' feedback on which of the proposed simplifications were beneficial. This has simplified the requirements.

    (b) To make the application of the on-balance sheet model more proportionate, the FRC has allowed preparers to set a higher threshold for the recognition exemption for leases of low-value assets. This is expected to ensure that the most economically significant leases are captured on-balance sheet, but to reduce the amount of judgement required by preparers as to whether less-significant leases may be subject to a recognition exemption, and to reduce the overall number of leases to which the on-balance sheet model must be applied.

6(b) Have you identified any further simplifications or additional guidance that you consider would be necessary or beneficial?

43. The majority of respondents offered additional comments on Section 20, including minor drafting suggestions, proposed changes to the simplifications proposed, introduction of additional content from IFRS 16 in order to aid in the application of the section, requests to shorten the section overall, and requests for additional guidance to aid in interpretation of specific topics (such as the *Landlord & Tenant Act 1954*).

FRC response

44. All comments have been considered in finalising the revised Section 20. Compared with the proposals in FRED 82, a number of changes were made in order to make the requirements clearer and easier to apply.

45. The FRC will consider the need for additional guidance (for example, in new or updated staff factsheets) subsequent to the publication of the *Periodic Review 2024 amendments*.

Question 7: Revenue

FRED 82 proposes to revise the revenue recognition requirements in FRS 102 and FRS 105 to reflect the revenue recognition model from IFRS 15 *Revenue from Contracts with Customers*. The revised requirements are based on the five-step model for revenue recognition in IFRS 15, with simplifications aimed at ensuring the requirements for revenue in FRS 102 and FRS 105 remain cost-effective to apply. Consequential amendments are also proposed to FRS 103 *Insurance Contracts* and its accompanying Implementation Guidance for alignment with the principles of the proposed revised Section 23 *Revenue from Contracts with Customers* of FRS 102.

7(a) Do you agree with the proposals to revise Section 23 *Revenue* of FRS 102 and Section 18 *Revenue* of FRS 105 to reflect the revenue recognition model from IFRS 15, with simplifications? If not, why not?

7(b) Have you identified any further simplifications or additional guidance that you consider would be necessary or beneficial?

Table 11: Summary of responses to Question 7(a)

Category of response	FRS 102	FRS 105	FRS 103 & IG
Agreed	10	3	-
Agreed with reservations	20	2	-
Disagreed	1	8	7
Sub-total	**31**	**13**	**7**
Did not comment	23	41	47
Total	**54**	**54**	**54**

46. Most respondents who commented on the overall proposal to revise Section 23 of FRS 102 to reflect the revenue recognition model from IFRS 15 agreed with it. Respondents made a number of suggestions to improve the proposals, which in many cases requested closer alignment to IFRS 15.

47. Most respondents who commented on the overall proposal to revise Section 18 of FRS 105 to reflect the revenue recognition model from IFRS 15 disagreed with it, due to concerns that it could be disproportionate for the needs of micro-entities.

48. All respondents who commented on the consequential amendments to FRS 103 and its accompanying Implementation Guidance disagreed with the proposals.

FRC response

49. For FRS 102, the FRC has proceeded with its proposals to revise Section 23 of FRS 102 to reflect the revenue recognition model from IFRS 15. In response to feedback received, a number of changes have been made to the detailed proposals, which generally result in closer alignment to IFRS 15 whilst retaining the proposed simplifications and clarifications of language and structure.

50. For FRS 105, the FRC did not consider it appropriate to retain the extant revenue recognition model. In response to feedback received, the FRC has made further simplifications to remove detail likely to be irrelevant to micro-entities and make the revised Section 18 more proportionate for preparers.

51. The FRC had proposed amendments to the non-mandatory Implementation Guidance accompanying FRS 103, specifically the parts that provided guidance on applying the principles of extant Section 23 of FRS 102 to general insurance contracts. In response to feedback received, the FRC has instead retained the extant Implementation Guidance but made amendments to be clear that the link by analogy to Section 23 of FRS 102 no longer applies.

Question 8: Effective date and transitional provisions

The proposed effective date for the amendments set out in FRED 82 is accounting periods beginning on or after 1 January 2025, with early application permitted provided all amendments are applied at the same time.

8(a) Do you agree with this proposal? If not, why not?

Table 12: Summary of responses to Question 8(a)

Category of response	Number
Agreed	9
Agreed with reservations	10
Disagreed	18
Sub-total	**37**
Did not comment	17
Total	**54**

52. Some respondents supported the proposal for an effective date of accounting periods beginning on or after 1 January 2025, presuming an implementation period of at least 12 months. Other respondents disagreed and felt that a longer implementation period was required.

FRC response

53. The FRC recognises the need for a suitable implementation period, proportionate to the scale of the amendments being implemented. The FRC also believes that amendments should be made effective without undue delay.

54. As a result, and taking into account the feedback received from respondents, the general effective date of the *Periodic Review 2024 amendments* arising from FRED 82 is accounting periods beginning on or after 1 January 2026, with early application permitted provided all the amendments are applied at the same time. Transitional arrangements have been provided in respect of accounting for fair value measurement, leases, revenue and uncertain tax positions.

55. Certain elements have an earlier effective date: refer to question 3 in the section of this feedback statement relating to FRED 84.

FRED 82 proposes transitional provisions (see paragraphs 1.35 to 1.60 of FRS 102 and paragraph 1.11 of FRS 105).

In respect of leases, FRED 82 proposes to permit an entity to use, as its opening balances, carrying amounts previously determined in accordance with IFRS 16. This is expected to provide a simplification for entities that have previously reported amounts in accordance with IFRS 16 for consolidation purposes, promoting efficiency within groups.

8(b) Do you agree with this proposal? If not, why not?

Table 13: Summary of responses to Question 8(b)

Category of response	Number
Agreed	17
Agreed with reservations	1
Disagreed	-
Sub-total	**18**
Did not comment	36
Total	**54**

56. Most respondents welcomed this transitional provision agreeing that it promotes simplicity, efficiencies for groups, and aids comparability for FRS 102 reporters.

FRC response

57. Taking into account the feedback received, the FRC has proceeded with this proposed transitional provision.

Otherwise, FRED 82 proposes to require the calculation of lease liabilities and right-of-use assets on a modified retrospective basis at the date of initial application.

8(c) Do you agree with this proposal? If not, why not?

Table 14: Summary of responses to Question 8(c)

Category of response	Number
Agreed	15
Agreed with reservations	2
Disagreed	3
Sub-total	**20**
Did not comment	34
Total	**54**

58. Most respondents who commented agreed with the proposal to require the use of the modified retrospective basis.

59. Of the respondents that disagreed, two commented that the FRC should permit entities to choose the fully retrospective basis, including restatement of comparatives, as permitted by IFRS 16. These respondents commented that a fully-retrospective basis would improve comparability and provide better information to users, and should not be ruled out by the standard. One respondent suggested that a prospective basis should also be permitted.

FRC response

60. The FRC has proceeded as proposed, so a lessee will be required to apply the modified retrospective approach unless applying the option to use balances previously calculated under IFRS 16. The FRC believes that this will be more cost-effective to apply without impacting significantly on the usefulness of the information for users of the financial statements, and will promote comparability between FRS 102 preparers.

In respect of revenue, FRED 82 proposes to permit an entity to apply the revised Section 23 of FRS 102 on a modified retrospective basis with the cumulative effect of initially applying the revised section recognised in the year of initial application. This is expected to ease the burden of applying the new revenue recognition requirements retrospectively by removing the need to restate comparative period information.

Unlike IASB/ED/2022/1, to ensure comparability between current and future reporting periods, FRED 82 does not propose to permit the revised Section 23 of FRS 102 to be applied on a prospective basis. However, FRED 82 proposes to require micro-entities to apply the revised Section 18 of FRS 105 on a prospective basis.

8(d) Do you agree with these proposals? If not, why not?

Table 15: Summary of responses to Question 8(d)

Category of response	FRS 102	FRS 105
Agreed	11	2
Disagreed	2	2
Sub-total	**13**	**4**
Did not comment	41	50
Total	**54**	**54**

61. Respondents who commented on the proposal for FRS 102 generally agreed with it, with some raising questions about the detailed drafting of the transitional provisions.

62. Half of respondents who commented on the proposal for FRS 105 disagreed with it, citing concerns that a prospective-only approach would cause comparability issues, especially for entities with long-term contracts, whilst others agreed that it would be a proportionate approach for micro-entities.

FRC response

63. For FRS 102, the FRC has proceeded with the proposals set out in FRED 82, with some minor drafting improvements.

64. For the FRS 105 requirements, the FRC continues to believe that the costs of applying the new requirements retrospectively would exceed the benefit of doing so and that permitting the different approaches and expedients for retrospective application proposed in FRS 102 would add unnecessary complexity. Therefore, the FRC has proceeded as proposed in FRED 82, requiring micro-entities to apply the revised Section 18 of FRS 105 on a prospective basis.

8(e) Do you have any other comments on the transitional provisions proposed in FRED 82?

8(f) Have you identified any additional transitional provisions that you consider would be necessary or beneficial? Please provide details and the reasons why.

65. Many respondents to these questions said they thought that the proposed Section 2A of FRS 102 should be applied prospectively, consistent with the approach taken when IFRS 13 was introduced.

66. One respondent to this question said they thought that the proposed amendments to Section 29 *Income Tax* addressing uncertain tax treatments should be implemented consistently with the approach taken when similar amendments were made to IAS 12 *Income Taxes*.

FRC response

67. The FRC agrees that Section 2A should be applied prospectively and has introduced a transitional provision to this effect.

68. The FRC agrees that the proposed amendments to Section 29 that address uncertain tax treatments should be applied in a manner consistent with the similar amendments that were made to IAS 12, and has introduced a transitional provision to this effect.

Question 9: Other comments

Do you have any other comments on the proposed amendments set out in FRED 82?

Table 16: Summary of responses to Question 9

Category of response	Number
Respondents with comments	34
Respondents without comments	20
Total	**54**

69. The majority of respondents made further comments, covering most areas of the proposed amendments, including:
    (a) Section 1A *Small Entities* – proposed additional mandatory disclosures for UK small entities.
    (b) Section 19 *Business Combinations and Goodwill* – proposed incremental improvements and clarifications, not including adopting the updated definitions of ‘business’ or ‘business combination’ from IFRS 3 *Business Combinations*.
    (c) Section 34 *Specialised Activities*:
        (i) Guidance on accounting by operators for a service concession arrangement.
        (ii) The requirements for financial institutions and retirement benefit plans to make disclosures about the risks arising from financial instruments.
        (iii) The proposed revisions to accounting for heritage assets.
        (iv) Accounting for incoming resources from non-exchange transactions, including the treatment of goods donated for onward distribution and the recognition of legacy income.
70. Respondents also commented on the interaction of FRS 102 and other FRSs with the requirements of company law, and topics the FRC should consider addressing in future projects.

FRC response

71. All comments have been considered in finalising the *Periodic Review 2024 amendments*. In general, the finalised amendments are substantially in line with the proposals in FRED 82, but a number of changes have been made in response to the comments received.

72. The FRC understands stakeholders’ interest in the interaction between its financial reporting standards and the requirements of company law, and will continue to engage with this topic, although such considerations were outside the scope of the Periodic Review 2024.

Question 10: Consultation stage impact assessment

Do you have any comments on the consultation stage impact assessment, including those relating to assumptions, sources of relevant data, and the costs and benefits that have been identified and assessed? Please provide evidence to support your views.

In particular, feedback is invited on the assumptions used for quantifying costs under each of the proposed options (Section 3 of the consultation stage impact assessment); any evidence which might help the FRC quantify the benefits identified or any benefit which might arise from the options proposed which the FRC has not identified (Section 4 of the consultation stage impact assessment); and appropriate data sources to use to refine the assumption of the prevalence of leases by entity size (Table 23 of the consultation stage impact assessment).

Table 17: Summary of responses to Question 10

Category of response	Number
Respondents with comments	12
Respondents without comments	42
Total	**54**

73. Most respondents provided no comments on the consultation stage impact assessment. Of those that did, most were concerned about a lack of benefit to preparers, particularly for smaller entities. However, some others said that they thought that the proposals set out in FRED 82 would be beneficial overall. Some respondents also provided more specific comments on the assumptions used in the consultation stage impact assessment.

FRC response

74. The FRC has updated some of the assumptions in the impact assessment to reflect stakeholder feedback and other data sources, including assumptions on the time taken to develop new audit procedures, as well as updating data inputs to reflect the most recently available data. The description of the anticipated benefits of the amendments has also been expanded and clarified. The FRC has also added estimates for the ongoing costs associated with the changes to revenue accounting principles, and for the costs incurred to audit entities that move up a size category as a result of leases being brought on balance sheet and can therefore no longer access the small company audit exemption. The quantitative impact of those and other changes to the impact assessment is set out in Appendix 2 *Changes made to the impact assessment following the consultation to the impact assessment.*

Responses to the public consultation (FRED 84)

Question 1: Overall disclosure requirements

Do you agree with the introduction of the proposed disclosure requirements in relation to supplier finance arrangements into FRS 102? If not, why not?

Table 18: Summary of responses to Question 1

Category of response	Number
Agreed	8
Agreed with reservations	3
Disagreed	1
Total	**12**

75. Most respondents agreed with the introduction of disclosure requirements for supplier finance arrangements based on similar amendments made to IAS 7 *Statement of Cash Flows* by the IASB.

76. Respondents with reservations were concerned as to whether it was appropriate for all qualifying entities to be exempt from these requirements.

77. A number of other observations were made about the details of the proposed disclosure requirements.

FRC response

78. The FRC has amended paragraph 1.12(b) of FRS 102 to make the exemption of qualifying entities from the new requirements conditional on equivalent disclosures being included in the consolidated financial statements.

79. The FRC has considered the other observations in finalising the disclosure requirements, resulting in a number of changes to improve the final amendments.

Question 2: Disclosure of amounts settled by finance providers

Do you believe that the disclosure required by sub-paragraph 7.20C(b)(ii) will provide useful information to users, proportionate to the cost and effort involved for preparers?

Table 19: Summary of responses to Question 2

Category of response	Number
Agreed	5
Disagreed	6
Sub-total	**11**
Did not comment	1
Total	**12**

80. Proposed paragraph 7.20C(b)(ii) would have required an entity to disclose the amounts of financial liabilities that are part of a supplier finance arrangement for which suppliers had already received payment from the finance providers.

81. Respondents had mixed views on whether this requirement would be cost-beneficial. Respondents in support felt that the disclosure would provide useful information, and that the fact that a similar disclosure requirement exists in IAS 7 should make the information easier to obtain. Those that disagreed cited a lack of relevance and usefulness, and concerns that obtaining the required information, and having it audited, would be onerous and costly.

FRC response

82. Given respondents' mixed views, and in the interests of proportionality, the FRC has omitted this proposed disclosure requirement from the final amendments.

Question 3: Effective date

Do you agree with the proposed effective date for these amendments? If not, what difficulties do you foresee?

Table 20: Summary of responses to Question 3

Category of response	Number
Agreed	9
Disagreed	2
Sub-total	**11**
Did not comment	1
Total	**12**

83. Most respondents agreed with the proposed effective date of 1 January 2025. Those who disagreed thought that it would be preferable for the date to match the effective date of the other periodic review amendments.

FRC response

84. To avoid any undue delay in these disclosure requirements becoming effective, the FRC has proceeded with the proposed 1 January 2025 effective date, which is earlier than the general effective date of the *Periodic Review 2024 amendments*.

Question 4: Impact assessment

Do you have any comments on the consultation stage impact assessment, including those relating to assumptions, sources of relevant data, and the costs and benefits that have been identified and assessed? Please provide evidence to support your views.

In particular, feedback is invited on the assumptions about the prevalence of supplier finance arrangements amongst entities applying FRS 102.

85. Seven respondents offered comments on the impact assessment. Three respondents agreed that the benefits of the amendments would outweigh the costs; three other respondents believed that the costs stated in the impact assessment may be understated, but did not offer any specific evidence to support this. One respondent noted a potential impact on charities with supplier finance arrangements but observed that this was more of an issue for the Charities SORP-making body.

FRC response

86. As noted in the response to question 2, the proposed disclosure of amounts settled by suppliers has been omitted from the final amendments. This will reduce the costs to preparers. Overall, the FRC continues to believe that the final amendments will have a positive impact on financial reporting that exceeds the costs of applying the new requirements.

4. Appendix A: List of respondents to consultation (FRED 82)

1. Stephen Bowen
2. Jamie Preston
3. Tom Worthington
4. London Security Group
5. TVF (UK) Ltd
6. Facilities Fire Protection Limited
7. S2 Fire Solutions Limited
8. AFS Fire and Security Limited
9. London Security Plc
10. Fire Industry Specialists Ltd
11. Colin Mills
12. Mercia Group Limited
13. [Confidential]
14. Douglas Christie
15. AmTrust International Group
16. Northern Gas Networks
17. Progress Housing Group
18. Duncan & Toplis Limited
19. HAT Group of Accountants
20. Pensions Research Accountants Group (PRAG) SORP Working Party
21. Quoted Companies Alliance (QCA)
22. ICAS
23. ICAEW
24. Gentoo Group
25. Ancoram
26. RSM UK Tax and Accounting Limited
27. British Universities Finance Directors Group (BUFDG)
28. Buzzacott LLP
29. Steven Barnes
30. PricewaterhouseCoopers LLP
31. Saffery Champness Chartered Accountants
32. Housing SORP Making Body
33. HFMA
34. The Investment Association
35. KPMG LLP
36. The Association of Investment Companies (AIC)
37. ACCA
38. CPA Ireland
39. Moore and Smalley LLP
40. Clarion Housing Group
41. Crowe UK LLP
42. Chartered Accountants Ireland
43. Institute of Legacy Management
44. Charity Finance Group
45. Bourner Bullock Chartered Accountants
46. Grant Thornton UK LLP
47. Price Bailey Chartered Accountants
48. Pesh Framjee
49. Lloyds Market Association
50. BDO LLP
51. Deloitte LLP
52. Mazars LLP
53. Charities SORP Making Body
54. Ernst & Young LLP

5. Appendix B: List of respondents to consultation (FRED 84)

1. RSM UK Tax and Accounting Limited
2. ICAS
3. Ernst & Young LLP
4. Deloitte LLP
5. ACCA
6. Chartered Accountants Ireland
7. PricewaterhouseCoopers LLP
8. KPMG LLP
9. ICAEW
10. CPA Ireland
11. Grant Thornton UK LLP
12. Mazars LLP

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