

Financial reporting standards: Periodic Review 2024



Financial Reporting Council

Key changes

On 27 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*, concluding its second periodic review of the financial reporting standards.

The effective date for most amendments is periods beginning on or after 1 January 2026, with early adoption permitted. Transitional arrangements are provided.

Headline amendments

FRS 102 Section	What's changed?	Key benefits
Section 20 <i>Leases</i>	<p>Removal of the distinction between operating and finance leases for lessees; more leases now recognised with an asset and liability on-balance sheet (similar to extant finance lease accounting).</p> <p>Recognition exemptions permit short-term leases and leases of low-value assets to remain off-balance sheet. Compared with IFRS 16 <i>Leases</i>, a higher threshold for low-value assets means that FRS 102 preparers are not required to recognise as many leases on-balance sheet.</p> <p><u>Micro-entities</u>: No equivalent change is made to FRS 105.</p>	<p>Improved financial information through greater transparency over the indebtedness of the business and more relevant information about assets and liabilities, better depicting the economics of significant lease arrangements.</p> <p>High quality financial information supports a range of broader effects, potentially including improved access to capital.</p> <p>Consistency with international accounting principles is re-established, improving comparability and reducing 'GAAP differences'.</p>

FRS 102 Section	What's changed?	Key benefits
Section 23 <i>Revenue from Contracts with Customers</i>	A single comprehensive five-step model is introduced for revenue recognition for all contracts with customers, based on identifying the distinct goods or services promised to the customer and the amount of consideration to which the entity will be entitled in exchange.	Easier for entities to account for revenue transactions correctly and consistently, across all sizes of entity and all contract types. More reliable and useful information about nature, amount and timing of revenue and cash flows arising from contracts with customers.
	<u>Micro-entities</u> : Similar amendments are made to FRS 105, with additional simplifications.	High quality financial information supports a range of broader effects, potentially including improved access to capital. Consistency with international accounting principles is re-established, improving comparability and reducing 'GAAP differences'.

Other incremental improvements and clarifications

A range of other incremental improvements and clarifications are made to FRS 102 and other FRSs. In general, they should make the requirements easier for preparers to understand and apply consistently, improving the quality and comparability of financial information available to users of financial statements. The FRC has taken stakeholder feedback into account in identifying and drafting these amendments.

FRS 102 Section	What's changed?	Key benefits
Section 1A <i>Small Entities</i>	For UK small entities, more clarity on which disclosures are expected to be necessary in order to give a true and fair view as required by law.	Easier for UK small entities to decide which disclosures need to be provided, supporting consistent high-quality reporting.
Section 2 <i>Concepts and Pervasive Principles</i>	Updates to align with latest international framework.	Laying foundation for continued international alignment, with benefits including consistency and comparability and minimising 'GAAP differences'.

FRS 102 Section	What's changed?	Key benefits
Section 2A <i>Fair Value Measurement</i>	Updated to align definitions with latest international standards and provide additional guidance.	Fair value measurement is fundamental to accounting for some transactions and balances but can be subject to significant judgement. Additional guidance should help preparers arrive consistently at appropriate conclusions.
Section 7 <i>Statement of Cash Flows</i>	New disclosure requirements about supplier finance arrangements (effective 1 January 2025).	Answers stakeholder demands for more information about such arrangements, and promotes consistency with IFRS reporting.
Section 26 <i>Share-based Payment</i>	Additional guidance aiding application of the principles in certain situations.	Answers stakeholder demands for further guidance, and promotes consistency with IFRS reporting.
Section 29 <i>Income Tax</i>	Introduction of guidance on accounting for uncertain tax positions.	Provides additional guidance to preparers dealing with such positions, and promotes consistency with IFRS reporting.
Section 34 <i>Specialised Activities</i>	Various improvements and clarifications to clarify existing requirements and make consequential changes to reflect other amendments.	Preparers should find it easier to understand and apply the requirements.

What has not changed?

In line with the FRC's consultation on the proposed amendments, the Periodic Review 2024 amendments do not introduce an expected credit loss model of financial asset impairment (as found in IFRS 9 *Financial Instruments*) and do not introduce any alignment with IFRS 17 *Insurance Contracts*. Any alignment with IFRS 17, or further alignment with IFRS 9, will be part of a future project and subject to consultation in due course.

Please see www.frc.co.uk or contact us at stakeholderengagement@frc.co.uk.

Financial Reporting Council

8th Floor, 125 London Wall
London, EC2Y 5AS
+44 (0)20 7492 2300
www.frc.org.uk

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