



June 2021

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# Impact Assessment and Feedback Statement

*Amendments to FRS 102 The  
Financial Reporting Standard  
applicable in the UK and Republic  
of Ireland and FRS 105 The  
Financial Reporting Standard  
applicable to the Micro-entities  
Regime*

COVID-19-related rent concessions beyond  
30 June 2021

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# Impact Assessment and Feedback Statement

Amendments to FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*

COVID-19-related rent concessions beyond  
30 June 2021



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## Overview

- (i) In June 2021, FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime* were amended by *Amendments to FRS 102 and FRS 105 – COVID-19-related rent concessions beyond 30 June 2021*. This Impact Assessment and Feedback Statement accompanies those amendments, which are in relation to temporary rent concessions that occur as a direct consequence of the COVID-19 pandemic which result in a reduction to lease payments originally due after 30 June 2021, but not beyond 30 June 2022.
- (ii) The Impact Assessment and Feedback Statement:
  - (a) sets out the Impact Assessment for these amendments, after taking account of respondents' comments on the Consultation stage impact assessment; and
  - (b) summarises the six responses received to FRED 78 *Draft amendments to FRS 102 and FRS 105 – COVID-19-related rent concessions beyond 30 June 2021* and the FRC's response to them.

# Impact Assessment

## Introduction

- 1 The Financial Reporting Council (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.

## Amendments to FRS 102 and FRS 105

- 2 These amendments will only affect entities that agree temporary rent concessions as a direct consequence of the COVID-19 pandemic which result in a reduction to lease payments originally due after 30 June 2021, but not beyond 30 June 2022; and meet the other conditions in FRS 102 and FRS 105 that require entities to recognise changes in operating lease payments on a systematic basis over the periods that the change is intended to compensate.
- 3 The amendments extend the time conditions that apply to the existing requirements in FRS 102 and FRS 105 which specify how changes in operating lease payments that arise from COVID-19-related rent concessions should be recognised. As the circumstances that existed when these requirements were originally developed may extend beyond June 2021, the extension will allow concessions with similar characteristics that occur in similar circumstances to be accounted for consistently. This will improve the ability of users to compare the financial statements of different entities.
- 4 The treatment requires entities to recognise those changes that reduce lease payments in this extended period, and meet the other specified conditions, on a systematic basis over the periods that the change is intended to compensate, rather than the impact of the change being extended into future periods. This is considered to reflect more accurately the temporary nature of these concessions and provide more useful information to users.
- 5 These amendments introduce no other changes to the requirements of FRS 102 and FRS 105. For this reason, they are expected to be easy to apply and are not expected to increase the costs of preparing financial statements.

## Conclusion

- 6 Overall, the FRC believes that the amendments to FRS 102 and FRS 105 will have a positive impact on the relevance and consistency of reporting by entities.



## Feedback Statement

- 7 The purpose of this Feedback Statement is to summarise the comments received in response to FRED 78 *Draft amendments to FRS 102 and FRS 105 – COVID-19-related rent concessions beyond 30 June 2021*. FRED 78 was issued in April 2021 and the comment period closed on 11 May 2021.
- 8 The table below shows the number of respondents and analyses them by category.

**Table 1: Respondents by category**

	<b>No. of respondents</b>
Accounting professional bodies	3
Accountancy firms	2
Representative bodies of preparers	1
	<hr/>
	6
	<hr/> <hr/>

- 9 FRED 78 posed two questions, and the feedback and FRC response to them are summarised below.

### Question 1

Do you agree with the proposed amendments to FRS 102 and FRS 105? If not, why not?

**Table 2: Respondents' views on Question 1**

	<b>No. of respondents</b>
Agreed <sup>1</sup>	6
Disagreed	–
	<hr/>
	6
	<hr/> <hr/>

- 10 All respondents agreed with the proposals.
- 11 Two respondents made comments in relation to the existing requirements of FRS 102 and FRS 105 that require entities to apply the proposed amendments retrospectively. One respondent recommended that the description of the instances when retrospective application will be required should be expanded and include illustrative examples. Another suggested that consideration should be given to whether it would be appropriate to permit entities to apply the proposed amendments prospectively.

### *FRC response*

- 12 After considering all the comments made, the FRC proceeded with the proposed amendments to FRS 102 and FRS 105.
- 13 The FRC acknowledges that the timing of the amendments may result in some entities having to apply them retrospectively in future periods, when financial statements containing a relevant concession have been authorised for issue prior to the amendments being issued. However, such instances are expected to be rare.

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<sup>1</sup> Includes one respondent that stated that they had no comment in relation to proposed amendments to FRS 105.

- 14 Retrospective application ensures that these concessions are accounted for consistently across those reporting periods when they are expected most commonly to occur. Although the potential difficulties of this approach are acknowledged, the required accounting is not considered unduly complex.

**Question 2**

In relation to the Consultation stage impact assessment, do you have any comments on the costs and benefits identified? Please provide evidence to support your views.

**Table 3: Respondents' views on Question 2**

	<b>No. of respondents</b>
Agreed	2
Disagreed	–
Did not comment <sup>2</sup>	4
	6
	6

- 15 Most respondents did not comment on the Consultation stage impact assessment. Those that did agreed with the conclusion that the proposed amendments will have a positive impact on the relevance and consistency of reporting by entities.

*FRC response*

- 16 Overall, the FRC believes that the amendments to FRS 102 and FRS 105 will have a positive impact on the relevance and consistency of reporting by entities.

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<sup>2</sup> Includes those respondents that stated that they had no comments in relation to Question 2 and those that did not address Question 2.



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