



May 2020

Impact Assessment and Feedback Statement

Amendments to FRS 101

Reduced Disclosure Framework

2019/20 cycle

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Framework

2019/20 cycle

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Overview

- (i) In May 2020, FRS 101 *Reduced Disclosure Framework* was amended by *Amendments to FRS 101 – 2019/20 cycle*. This Impact Assessment and Feedback Statement accompanies those amendments, which arose as a result of the annual review of FRS 101.
- (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 five responses received to FRED 73 *Draft amendments to FRS 101 – 2019/20 cycle* 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.
- 2 FRS 101 *Reduced Disclosure Framework* is an optional standard that is intended to enable cost-efficient financial reporting within groups, particularly those applying EU-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.
- 3 FRS 101 requires an entity to apply EU-adopted IFRS subject to specified disclosure exemptions. Therefore, without intervention to amend FRS 101, an entity applying FRS 101 would need to provide all the disclosures required by any new IFRS or amendments to existing standards issued.

Amendments to FRS 101

- 4 The amendments to FRS 101 provide an exemption from the disclosure of cash flows that would otherwise be required by paragraph 24(b) of IFRS 6 *Exploration for and Evaluation of Mineral Resources*. This is to reflect the existing exemption from the presentation of a statement of cash flows provided in FRS 101. This amendment is expected to reduce the cost of compliance with FRS 101.
- 5 The amendments to FRS 101 also remove the current condition for the disclosure exemption from paragraph 33(c) of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. This change will result in qualifying entities no longer having to meet any conditions to take advantage of this exemption, potentially reducing the cost of compliance with FRS 101.

Conclusion

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

Feedback Statement

- 7 The purpose of this Feedback Statement is to summarise the comments received in response to FRED 73 *Draft amendments to FRS 101 – 2019/20 cycle*. FRED 73 was issued in December 2019 and the comment period closed on 16 March 2020.
- 8 The table below shows the number of respondents and analyses them by category.

Table 1: Respondents by category

	No. of respondents
Accountancy firms	3
Accounting professional bodies	2
	<hr/>
	5
	<hr/> <hr/>

- 9 FRED 73 posed three questions, and the feedback and FRC response to them are summarised below.

Question 1

Do you agree that no amendments to FRS 101 are required for the two IASB projects outlined in paragraph 7 of the Basis for Conclusions?

Table 2: Respondents' views on Question 1

	No. of respondents
Agreed	3
Disagreed	–
	<hr/>
	3
Did not comment	2
	<hr/>
	5
	<hr/> <hr/>

- 10 All respondents commenting agreed that no other amendments to FRS 101 were required for the two IASB projects completed since the last annual review of FRS 101.

FRC response

- 11 No amendments have been made to FRS 101 for the two IASB projects, which have been added to Table 2 of the Basis for Conclusions FRS 101 *Reduced Disclosure Framework*.

Question 2

Do you agree with the proposed amendments to improve the consistency of the disclosure exemptions relating to the statement of cash flows?

Table 3: Respondents' views on Question 2

	No. of respondents
Agreed	5
	<hr/>
	5
	<hr/> <hr/>
12 All respondents agreed with the proposals.	
<i>FRC response</i>	
13 After considering the response to Question 2, the FRC has proceeded with the proposed amendments. This will ensure FRS 101 and FRS 102 provide exemptions from disclosures related to the statement of cash flows on a consistent basis.	

Question 3

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 4: Respondents' views on Question 3

	No. of respondents
Agreed	1
Disagreed	–
Did not comment ¹	4
	<hr/>
	5
	<hr/> <hr/>
14 All but one respondent did not comment on the Consultation stage impact assessment. The respondent commenting recognised the identified benefits of the proposed amendments for entities that had previously provided the disclosure of cash flows required by IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i> and IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> . The respondent also noted the general benefit of greater clarity on the exemptions relating to the statement of cash flows.	
<i>FRC response</i>	
15 The costs and benefits of these amendments have been included in the Impact Assessment. Overall, the FRC believes that the amendments to FRS 101 will have a positive impact on the cost-effectiveness of the preparation of the financial statements.	

¹ Includes those respondents that stated that they had no comments in relation to Question 3 and those who did not address Question 3.

Other issue – framework for FRS 101

- 16 One respondent took the opportunity to raise a more general point in relation to FRS 101. In the respondent's view a clearer framework is required for FRS 101 to:
- (a) streamline the annual review process and assist decisions about whether disclosure exemptions should be provided; and
 - (b) assist preparers in making judgements about whether additional disclosures might be necessary for the financial statements to give a true and fair view.
- 17 Such a framework should be based on the information needs of the primary users of the financial statements of entities applying FRS 101 (ie the individual entities within a group).

FRC response

- 18 As part of the 2015/16 cycle further consideration was given to how the principles for determining disclosure exemptions in FRS 101 should be applied in the context of qualifying entities.
- 19 In response to a similar comment made in 2019, in the Feedback Statement to FRED 70 *Draft amendments to FRS 101 – 2018/19 cycle*, the FRC indicated it would undertake a further review of the principles and framework underlying FRS 101². Evidence-gathering and outreach with stakeholders is planned as part of the first phase of this review, which will be undertaken outside of the annual review cycle. Stakeholder feedback and findings from this phase will inform the timetable for the development and implementation of any changes to the standard.

² There is no evidence to suggest that the continued need for FRS 101 is questioned, and the review is likely to focus on the framework for deciding which disclosure exemptions should be provided.



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