Summary of differences between FRED 44 and FRED 48

Section 1:

1) The removal of the concept of 'public accountability' in defining the scope of the [draft] standard, which does not now extend the application of EU-adopted IFRS beyond the requirements of EU Regulation 1606/2002 (or other legislation or regulation).

2) The inclusion of references to IASs 33 and 34 and to IFRSs 4 and 8, to ensure that requirements of the [draft] standard encompass the accounting issues associated with all entities within the remit of its now extended scope.

3) The extension of the reduced disclosure framework to the individual accounts of an ultimate parent, by replacing the concept of a 'qualifying subsidiary' with that of a 'qualifying entity'.

4) Permission for financial institutions to apply the reduced disclosures in [draft] FRS 102 except for Section 11 'Basic financial instruments' and Section 12 'Other financial instruments issues'.

5) Clarification that the reduced disclosure framework may not be applied in consolidated financial statements prepared voluntarily.

6) Clarification that shareholders must be "notified in writing" about the use of disclosure exemptions.

7) The provision of detail concerning if and how a shareholder may object to the use of disclosure exemptions.

8) Clarification that an entity may take advantage of disclosure exemptions only if it otherwise applies the recognition, measurement and disclosure requirements of the [draft] standard.

9) Clarification that "the relevant section and paragraph references of the exemptions adopted" must be stated.

10) The following disclosure exemptions have been removed: 28.41(a), 28.41(b), 28.41(e) and 28.41(k).

11) The following disclosure exemptions have been added: 3.17(d), 17.32(b), 18.28(d), 26.18(b), 26.20 and 33.7.

12) The disclosure exemptions from Section 26 'Share-based payment' of the [draft] standard have been disallowed for a group arrangement involving equity instruments of an entity other than the parent.

13) The inclusion of a reference to Application Guidance that has now been provided, which is to assist in deciding whether the consolidated financial statements of the parent provide disclosures which are equivalent to the requirements of this [draft] standard.

14) A minor modification to the wording of the statement of compliance for entities applying the reduced disclosure framework.

15) The effective date of the [draft] standard has been changed to accounting periods beginning on or after 1 January 2015 (previously 1 July 2013).

16) Early application has been restricted to accounting periods on or after the date of issue of the [draft] standard, subject to the additional requirement for a public benefit entity that it must also apply a public benefit entity SORP which has been developed in accordance with this [draft] standard, [draft] FRS 100 and [draft] FRS 101.

Section 2: Concepts and pervasive principles

1) Property, plant and equipment is now permitted to be measured using the revaluation model.

2) A sub-section concerning "Intermediate payment arrangements" (trusts etc.) has been added.

Section 3: Financial statement presentation

1) The deletion of the statement that the application of this [draft] standard by an entity with public accountability does not result in a fair presentation.

2) The removal of the possibility of, and the requirements pertaining to, a situation whereby "the relevant regulatory framework" prohibits a departure from a requirement of this [draft] standard where it would conflict with the objective of financial statements.

3) The disclosures required when an entity departs from a requirement of this [draft] standard are now also required when an entity departs from a requirement of applicable legislation.

4) The wording concerning "Materiality and aggregation" has been updated.

5) The inclusion of a reference to applying "relevant EU-adopted IFRS" when presenting segment information, earnings per share or interim financial reports.

Section 4: Statement of financial position

1) Clarification that Section 4 applies whether or not an entity reports under the Companies Act 2006 (Act), and clarification of the requirements for an entity that does not report under the Act.

2) Replacing the listing of line items to be included in the statement of financial position with references to the Schedules in the Regulations.

3) The deletion of the sub-sections 'Current/ non-current distinction' and 'Current assets'.

4) Replacing the sub-section 'Current liabilities' with a sub-section 'Creditors: amounts falling due within one year', which contains a short definition of a liability due within one year.

5) Amendment of the term 'current' to 'due within one year'.

6) The deletion of the sub-section 'Sequencing of items and format of items in the statement of financial position'.

7) The deletion of the requirement to disclose the number of shares authorised.

8) Clarification that shares in an entity held by a joint venture of the entity should be disclosed.

9) Use of the word "disposal group", instead of the phrase "group of assets and liabilities".

Section 5: Statement of comprehensive income and income statement

1) Clarification that Section 5 whether or not an entity reports under the Act, and clarification of the requirements for an entity that does not report under the Act.

2) Clarification of the meaning of the term 'income statement'.

3) The insertion of the word 'material' to clarify a specific requirement.

4) Clarification that the following are recognised as part of other comprehensive income: some changes in fair values of investments in subsidiaries, associates and joint ventures; and some gains and losses arising on revaluation of property, plant and equipment, intangible assets and heritage assets.

5) Replacing the listing of line items to be included in the statement of financial position with alternative requirements and references to the Schedules in the Regulations.

6) The inclusion of requirements, and an example, for the presentation of discontinued operations.

7) The inclusion of a requirement to disclose the nature and amount of items of income or expense that are material.

8) The inclusion of requirements where an entity has elected to disclose 'operating profit'.

9) Clarification that expenses are aggregated in the profit and loss account under the two-statement approach.

Section 6: Statement of comprehensive income and income statement

1) Clarification that the changes in an entity's equity may be presented in the notes.

2) The deletion of a reference to items of income and expense being recognised in other comprehensive income.

3) The insertion of the word 'material' to clarify a specific requirement.

4) Clarification that a statement of changes in equity should disclose changes resulting from "each item of" other comprehensive income.

5) The inclusion of a requirement to present an analysis of other comprehensive income in the statement of changes in equity or in the notes.

Section 7: Statement of cash flows

1) The deletion of the statement that an parent may elect not to prepare a cash flow statement in separate financial statements presented with consolidated financial statements (the reduced disclosure framework renders this statement redundant).

2) The insertion of a scope exclusion for mutual life assurance companies, pension funds and certain open-ended investment funds.

3) Clarification that foreign currency cash flows may be translated into the functional currency using an exchange rate that approximates the actual rate.

Section 8: Notes to the financial statements

No significant differences.

Section 9: Consolidated and separate financial statements

1) Clarification that Section 5 applies whether or not an entity reports under the Act, and clarification of the requirements for an entity that does not report under the Act.

2) The inclusion of exemptions from the requirement to prepare consolidated financial statements, in order to comply with company law, and a requirement to disclose the grounds on which the entity is exempt.

3) Amendments to when a specific subsidiary should be excluded from consolidation, specification of the accounting treatment that should be applied, and the inclusion of a requirement to disclose excluded subsidiaries.

4) The inclusion of a reference to employee share ownership plans (ESOPs) in the sub-section on special purpose entities (SPEs).

5) Clarification that plans related to share-based payments are consolidated in accordance with Section 9.

6) Amendment of the phrase 'temporary differences' to 'deferred tax differences' in the reference to Section 29.

7) The inclusion of requirements where the reporting date of a subsidiary differs from that of its parent.

8) Clarification that the gain or loss on disposal of a subsidiary takes into account the fair value of any retained interest.

9) Clarification that the cumulative amount of any exchange differences that relate to a foreign subsidiary are not recycled from equity to profit and loss on disposal.

10) Redrafting of the sub-section concerning the presentation of separate financial statements, and the inclusion of a reference to the requirements set out in the Act.

11) The inclusion of a reference to ESOPs and Section 2 in the sub-section on the presentation of separate financial statements.

12) The deletion of the phrase "an investor in an associate, or a venturer with an interest in a jointly controlled entity" from the reference to separate financial statements.

13) Inclusion of an additional accounting policy option, in separate financial statements, for changes in fair value of investments to be recognised in accordance with the rules for property, plant and equipment revaluations.

14) The inclusion of a reference to disclosure requirements in company law that are applicable to a parent which adopts a policy of accounting for its investments at fair value with changes through profit or loss.

15) The inclusion of requirements for "exchanges of businesses or other non-monetary assets for an interest in a subsidiary, joint venture or associate".

Section 10: Accounting policies, estimates and errors

1) The inclusion of a reference to SORPs.

2) The inclusion of references to IASs 33 and 34 and to IFRSs 4 and 8.

Section 11: Basic financial instruments

1) The inclusion of a reference to Section 34 for public benefit entities which have concessionary loans.

2) The inclusion of references to IFRS 9.

3) The inclusion of scope exclusions for financial instruments, contracts and obligations to which Section 26 applies, for insurance contracts and reinsurance contracts, and for financial instruments issued by an entity with a discretionary participation feature, and the inclusion of a reference to IFRS 4.

4) Amendment of the term 'debtor' to 'borrower', and of the term 'creditor' to 'lender'.

5) The inclusion of a reference to contractual provisions that may be contingent on future events.

6) The removal of "a loan receivable from a third party that gives the third party the right or obligation to prepay if the applicable taxation or accounting requirements change" as an example of a financial instrument that falls within Section 12.

7) Amendment of the phrase 'current assets or current liabilities' to 'payable or receivable within one year'.

8) The deletion of the phrase 'not equity investments' from paragraph 11.48A, so that equity investments are not necessarily exempt from the disclosures in that paragraph.

9) Amendment of the term 'liability' to 'instrument' in paragraph 11.48A.

Section 12: Other financial instruments issues

1) The inclusion of a reference to IFRS 9.

2) The inclusion of scope exclusions for forward contracts between an acquirer and a selling shareholder to buy or sell an acquire, and for financial instruments, contracts and obligations to which Section 26 applies.

3) The inclusion, as hedging instruments for which hedge accounting is permitted, of a cross currency interest rate swap, of a hedge of a foreign exchange risk in a net investment in a foreign operation, and of a financial asset.

4) Amendment, in paragraph 12.18(d)(iii), of the word 'occurrence' to the phrase 'later of the occurrence and settlement'.

5) Clarification that hedge accounting is not prohibited for hedging instruments which have extension features at fair value.

10) Clarification that the cumulative exchange differences that relate to a hedge of a net investment in a foreign operation are not recycled to profit or loss on disposal or partial disposal of the foreign operation.

Section 13: Inventories

No significant differences.

Section 14: Investments in associates

1) The extension of the scope of Section 14 to include accounting for investments in associates in the financial statements of an investor that is not a parent.

2) The inclusion of an option for an investor that is not a parent to account for its investments in associates using a fair value model.

3) The inclusion of a requirement for associates that are held as part of an investment portfolio to be measured at fair value with changes in fair value recognised in profit or loss.

4) The inclusion of measurement requirements (transaction price, excluding transaction costs) for the initial recognition of an investment in an associate.

5) Clarification that dividends and other distributions from the investment should be recognised without regard to whether they are from profits arising before or after the date of acquisition.

6) Amendment of the term 'non current assets' to 'fixed assets'.

7) The inclusion of a reference to the disclosures required by paragraphs 11.43 and 11.44 for investments in associates accounted for using a fair value model.

Section 15: Investments in joint ventures

1) The extension of the scope of Section 15 to include accounting for investments in joint ventures in the financial statements of a venturer.

2) The inclusion of an option for a venturer that is not a parent to account for its interests in jointly controlled entities using a fair value model.

3) The inclusion of a requirement for jointly controlled entities that are held as part of an investment portfolio to be measured at fair value with changes in fair value recognised in profit or loss.

4) The inclusion of requirements with regard to measurement of jointly controlled entities as fair value, including a requirement to use the cost model where it is impracticable to measure fair value reliably without undue cost or effort,

5) Clarification that dividends and other distributions from the investment should be recognised without regard to whether they are from profits arising before or after the date of acquisition.

6) The inclusion of a reference to the disclosures required by paragraphs 11.43 and 11.44 for investments in jointly controlled entities accounted for using a fair value model.

Section 16: Investment property

1) Deletion of the requirement to reclassify changes in fair value from profit or loss to equity.

Section 17: Property, plant and equipment

1) Clarification that property, plant and equipment does not include heritage assets.

2) The inclusion of capitalised borrowing costs in the cost of an item of property, plant and equipment, and the removal of them from a list of costs that should be expensed.

3) The inclusion of an option for property, plant and equipment to be measured using at cost or revaluation and the inclusion of initial recognition and subsequent measurement requirements for both the cost model and revaluation model, and the inclusion of requirements concerning fair value and the reporting of gains and losses on revaluations.
4) Amendment to ensure that compensation for impairment is recognised only when it is virtually certain.

5) Clarification that the property, plant and equipment reconciliation should show separately the movement due to revaluations.

6) The inclusion of disclosure requirements concerning revaluations (effective date, whether an independent valuer was involved, and the methods applied).

Section 18: Intangible assets other than goodwill

1) The removal of the requirement that an asset does not result from expenditure incurred internally on an intangible item in order to be recognised as an intangible asset.

2) The inclusion of requirements for the measurement of internally generated intangible assets.

3) The inclusion of requirements for the recognition of internally generated intangible assets, distinguishing between the research phase and the development phase, and the deletion of a requirement that expenditure incurred internally on an intangible item should (for both research and development activities) be expensed.

4) The inclusion of subsequent measurement requirements for both a cost model and revaluation model, and the inclusion of requirements concerning the reporting of gains and losses on revaluations.

5) Amendment to the presumed useful life of an intangible asset, where the entity is unable to make a reliable estimate, from ten years to five years.

6) The inclusion of a requirement to disclose the reasons for choosing the useful lives or the amortisation rates.

7) Clarification that the intangible assets reconciliation should show separately the movement due to revaluations and also the movement due to internally generated intangible asset additions.

8) The inclusion of disclosure requirements concerning revaluations (effective date, whether an independent valuer was involved, and the methods applied).

Section 19: Business combinations and goodwill

1) The extension of the scope of Section 19 to include common control transactions.

2) The inclusion of a requirement that merger accounting be applied to a combination of entities or a business combination under common control (provided this is not prohibited by company law).

3) Amendment of the phrase 'the date of exchange' to 'acquisition date'.

4) Amendment to the drafting concerning the useful life of goodwill, so that the presumption of a useful life of five years is applied only where the entity is unable to make a reliable estimate.

5) The inclusion of a requirement to disclose the revenue and profit or loss of an acquiree since the acquisition date.

6) The inclusion of a requirement to expense merger expenses to profit or loss at the effective date of a combination.

7) The inclusion of disclosure requirements concerning combinations of entities or business combinations under common control (name of the combining entities, whether acquisition or merger accounting, date of the combination).

Section 20: Leases

1) The deletion of the requirement to disclose significant leasing arrangements.

Section 21: Provisions and contingencies

1) The deletion of the statement that expenses relating to a provision may be presented net of the amount recognised for a reimbursement, in order to comply with company law.

Section 22: Liabilities and equity

1) The inclusion of scope exclusions for insurance contracts and reinsurance contracts, and for financial instruments issued by an entity with a discretionary participation feature, and the inclusion of a reference to IFRS 4.

2) Clarification that a specified type of financial instrument is a financial liability unless one of certain criteria are met (paragraph 22.3A).

3) The insertion of the phrase 'called up' to describe equity instruments that have been subscribed for but not issued.

4) The deletion of the requirements concerning distributing assets other than cash as dividends, and replacing them with a requirement to disclose their fair value.

Section 23: Revenue

1) Replacing the phrase 'government grant' with the word 'grant'.

Section 24: Grants

1) Replacing the phrase 'government grant' with the word 'grant'.

2) The inclusion of an option to apply an accrual model of grant accounting (instead of a performance model), and the inclusion of a requirement to disclose the accounting policy adopted.

Section 25: Borrowing costs

1) The inclusion of an option to capitalise borrowing costs that are directly attributable to the construction or production of a qualifying asset, together with associated detailed requirements.

2) The inclusion of a reference to the requirements for the disclosure of finance costs in the Regulations.

3) The inclusion of a requirement to disclose the amount of borrowing costs capitalised in the period, and the capitalisation rate used.

Section 26: Share-based payment

1) Amendment to change the valuation method from 'the most appropriate valuation method' to 'a generally accepted valuation methodology… …that is appropriate to the circumstances of the entity'.

2) Amendment to the sub-section on 'group plans', so that is can be applied where share based payments are granted by a member of a group other than the parent.

Section 27: Impairment of assets

1) Clarification that an impairment loss may not be recognised immediately in profit or loss when the asset is carried at a revalued amount.

Section 28: Employee benefits

1) Grammatical and other minor changes, for example to the definitions of 'short-term employee benefits', 'post-employment benefits', 'other long-term employee benefits' and 'termination benefits'.

2) Amendment of the term 'current liability' to 'falling due within one year'.

3) Amendment of the recognition, measurement and disclosure requirements of the standard so that it is consistent with the recent revision to IAS 19 (interest calculated by multiplying the defined benefit liability by the discount rate, with no use of the expected return on assets, and removal of accounting policy options to recognise actuarial gains and losses in profit or loss).

4) Clarification that reimbursements shall, aside from being recognised as a separate asset, be treated in the same way as plan assets.

5) Replacing the sub-section on group plans with revised wording that is consistent with EU-adopted IFRS, and amending the associated disclosure requirements to reflect this, including the addition of a provision permitting one group entity to cross-reference to disclosures in another group entity's financial statements.

Section 29: Income tax

1) Replacing the existing tax section with completely new requirements developed by the ASB.

Section 30: Foreign currency translation

1) Amendment of the term 'individual financial statements' to 'individual accounts', so as to be consistent with company law.

Section 31: Hyperinflation

No significant differences.

Section 32: Events after the end of the reporting period

No significant differences.

Section 33: Related party disclosures

1) The inclusion of an exemption for related party transactions entered into by two or more wholly-owned members of a group.

2) Clarification of the definition of a related party (clarification that two entities are not a related party simply because a member of key management personal of one entity has significant influence over the other entity, and clarification that an associate or joint venture's subsidiary is related to the investor in the associate or joint venture).

Section 34: Specialised activities

1) The inclusion of disclosure requirements for financial institutions, including that they should disclose the significance of financial instruments for financial position and performance, and the nature and extent of risks arising from financial instruments (encompassing credit risk, liquidity risk and market risk).

2) The inclusion of reporting requirements for retirement benefit plans.

3) The inclusion of recognition, measurement and disclosure requirements for heritage assets.

4) The inclusion of recognition, measurement and disclosure requirements for incoming resources from non-exchange transactions, and the inclusion of relevant guidance in an Appendix.

5) The inclusion of recognition, measurement and disclosure requirements for public benefit entity combinations, including combinations that are in substance a gift and combinations that are a merger.

6) The inclusion of recognition, measurement and disclosure requirements for concessionary loans.

7) The inclusion of guidance, in an Appendix, concerning funding commitments.

Section 35: Transition to this [draft] FRS

1) Clarification that a first-time adopter that previously applying FRS 20 is prohibited from making any amendment for share-based payment transactions on application of this [draft] FRS.

2) Clarification that an intangible asset must meet the recognition and revaluation criteria in Section 18 on the date of transition in order to use fair value as its deemed cost on that date.

3) The inclusion of an additional accounting policy option, in separate financial statements, for changes in fair value of investments to be recognised in accordance with the rules for property, plant and equipment revaluations.

4) Clarification that the deemed cost of an investment may be the previous GAAP carrying amount, but not the fair value at the date of transition.

5) The inclusion of transition provision for deferred development costs as a deemed cost.

6) The inclusion of transition provisions for capitalised borrowing costs.