



May 2021

Impact Assessment and Feedback Statement

Amendments to FRS 101

Reduced Disclosure Framework

2020/21 cycle

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Overview

- (i) In May 2021, FRS 101 *Reduced Disclosure Framework* was amended by *Amendments to FRS 101 – 2020/21 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 six responses received to FRED 77 *Draft amendments to FRS 101 – 2020/21 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 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 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 exemptions from certain of the disclosures that would otherwise be required by IAS 16 *Property, Plant and Equipment*, and are therefore expected to reduce the cost of compliance with FRS 101.

Conclusion

- 5 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

- 6 The purpose of this Feedback Statement is to summarise the comments received in response to FRED 77 *Draft amendments to FRS 101 – 2020/21 cycle*. FRED 77 was issued in November 2020 and the comment period closed on 28 February 2021.
- 7 The table below shows the number of respondents and analyses them by category.

Table 1: Respondents by category

	No. of respondents
Accountancy firms	4
Accounting professional bodies	2
	<hr/>
	6
	<hr/> <hr/>

- 8 FRED 77 posed three questions, and the feedback and FRC response to them are summarised below.

Question 1

Do you agree with the proposed amendments to FRS 101? If not, why not?
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Table 2: Respondents' views on Question 1

	No. of respondents
Agreed	5
Agreed, with recommendations for improvement	1
Disagreed	–
	<hr/>
	6
	<hr/> <hr/>

- 9 All respondents agreed with the proposed amendments. One respondent recommended that the effective date of the proposed amendments be shown separately.

FRC response

- 10 After considering the response to Question 1, the FRC has proceeded with the proposed amendments.
- 11 No amendment has been made for the effective date of the amendments. Paragraph 8 notes that the disclosure exemptions provided are available from when the relevant standard is applied. Therefore, a qualifying entity may take advantage of the exemption introduced by paragraph 8(iA) from when *Property, Plant and Equipment: Proceeds before Intended Use* (Amendments to IAS 16) is applied. Similarly, the amendments to paragraph AG1(h) of FRS 101 apply from when *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1) is applied.

Question 2

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

In particular, do you agree that an exemption should not be provided from the disclosure requirements introduced by *Covid-19-Related Rent Concessions* (Amendments to IFRS 16)?

Table 3: Respondents' views on Question 2

	No. of respondents
Agreed	4
Disagreed	—
	<hr/> 4
Did not comment	2
	<hr/> 6
	<hr/> <hr/> 6

- 12 All respondents commenting agreed that no other amendments to FRS 101 were required for the other IASB projects completed since the last annual review of FRS 101. These respondents also agreed that an exemption should not be provided from the disclosure requirements introduced by *Covid-19-Related Rent Concessions* (Amendments to IFRS 16).

FRC response

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

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	5
	<hr/> 6
	<hr/> <hr/> 6

- 14 All but one respondent did not comment on the Consultation stage impact assessment. The respondent commenting agreed with the conclusion that the proposed amendments 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.

FRC response

- 15 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.

Other issue – UK exit from the European Union

- 16 Two respondents' comments related to the amendments made to FRS 101 in December 2020 for changes in UK company law following the UK exit from the European Union².
- 17 One respondent noted that the amendments to the Basis for Conclusions would have to reflect the terminology now used in FRS 101 as a consequence of these amendments. Another respondent recommended that the FRC issue a new edition of FRS 101 which reflects all amendments made prior to these amendments.

FRC response

- 18 The amendments to the Basis for Conclusions reflect the amendments made to FRS 101 in December 2020 for changes in UK company law following the UK exit from the European Union.
- 19 The next edition of FRS 101 will reflect all amendments made since the last edition issued in March 2018 and provide a single up-to-date reference point for the standard.

² *Amendments to UK and Republic of Ireland accounting standards – UK exit from the European Union*



Financial Reporting Council

8th Floor

125 London Wall

London

EC2Y 5AS

+44 (0)20 7492 2300

www.frc.org.uk