



ACCOUNTING
STANDARDS
BOARD

URGENT ISSUES TASK FORCE

INFORMATION SHEET No 81

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Implementation issue for entities complying with FRS 26

The UITF has decided to recommend to the Accounting Standards Board (ASB) a limited amendment to FRS 3 'Reporting Financial Performance' which, if implemented, will be applicable to UK entities within the scope of FRS 26 'Financial Instruments: Recognition and Measurement'.

FRS 26 specifies the treatment of gains and losses on revaluation and derecognition of financial instruments. Paragraphs 13, 21, 26 and 31A of FRS 3 specify the treatment of such gains or losses for all assets and liabilities. It has been suggested that there is a conflict. For example, unrealised gains and losses on Available for Sale financial assets of insurance entities within the scope of FRS 26 are required to be recognised in the statement of total recognised gains and losses and recycled through the profit and loss account on realisation. Paragraph 31A of FRS 3, on the other hand, requires that these be included as part of the investment return in the profit and loss account.

Accordingly, the UITF has recommended that the ASB makes a limited amendment to FRS 3 that clarifies that paragraphs 13, 21, 26 and 31A of the standard do not apply to the financial instruments of entities within the scope of FRS 26.

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