Amendments to FRS 102
The Financial Reporting Standard applicable in the UK and Republic of Ireland
Small entities and other minor amendments

July 2015

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Amendments to FRS 102
*The Financial Reporting Standard applicable in the UK and Republic of Ireland*

Small entities and other minor amendments
Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Small entities and other minor amendments is an amendment to an accounting standard. It is issued by the Financial Reporting Council in respect of its application in the United Kingdom and promulgated by the Institute of Chartered Accountants in Ireland in respect of its application in the Republic of Ireland.
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Financial Reporting Council 1
Summary

(i) With effect from 1 January 2015 the Financial Reporting Council (FRC) revised financial reporting standards in the United Kingdom and Republic of Ireland. The revisions fundamentally reformed financial reporting, replacing the extant standards with five Financial Reporting Standards:

(a) FRS 100 Application of Financial Reporting Requirements;
(b) FRS 101 Reduced Disclosure Framework;
(c) FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
(d) FRS 103 Insurance Contracts; and
(e) FRS 104 Interim Financial Reporting.

The FRC has also issued FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime to support the implementation of the new micro-entities regime.

As a result of the implementation of the new EU Accounting Directive these amendments to FRS 102:

(a) establish revised requirements for financial reporting by small entities; and
(b) make limited other amendments for compliance with company law.

In addition, these amendments address an implementation issue in relation to share-based payment arrangements.

(ii) The FRC’s overriding objective in setting accounting standards is to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users’ information needs.

(iii) In meeting this objective, the FRC aims to provide succinct financial reporting standards that:

(a) have consistency with international accounting standards through the application of an IFRS-based solution unless an alternative clearly better meets the overriding objective;
(b) reflect up-to-date thinking and developments in the way entities operate and the transactions they undertake;
(c) balance consistent principles for accounting by all UK and Republic of Ireland entities with practical solutions, based on size, complexity, public interest and users’ information needs;
(d) promote efficiency within groups; and
(e) are cost-effective to apply.

Amendments to FRS 102 – Small entities and other minor amendments

(iv) The FRC issued a Consultation Document Accounting Standards for small entities – Implementation of the EU Accounting Directive in September 2014 which, inter alia, consulted on the future of accounting standards for small entities and other amendments to accounting standards likely to be necessary as a result of the implementation of the Accounting Directive. This was followed by FRED 59 Draft Amendments to FRS 102 – Small entities and other minor amendments which was issued in February 2015. These amendments take into account the feedback from both the earlier consultation, which
indicated strong support for the development of a new section of FRS 102 for small entities, and FRED 59.

(v) These amendments set out the presentation and disclosure requirements applicable to small entities based on the new small companies regime within company law, whilst the recognition and measurement requirements of FRS 102 will also apply.

(vi) These amendments also include a small number of other amendments necessary to maintain consistency between FRS 102 and company law. This was not a comprehensive review of the requirements of FRS 102.

**Share-based payment arrangements with cash alternatives**

(vii) These amendments also include those based on the proposals in FRED 61 *Draft amendments to FRS 102 – Share-based payment arrangements with cash alternatives.*

**Residents’ management companies**

(viii) The Accounting Council’s advice to the FRC in relation to these amendments includes its advice that no changes are made to FRS 102 (or FRS 105) that are specific to the financial statements of residents’ management companies. This follows its consideration of responses to FRED 50 *Draft FRC Abstract Residential Management Companies’ Financial Statements and Consequential Amendments to the FRSSE, the Consultation Document, FRED 58 Draft FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime* and FRED 59.
Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland

Small entities and other minor amendments
Amendments to Section 1

Scope

1 The following paragraphs set out the amendments to Section 1 Scope (deleted text is struck through, inserted text is underlined).

2 Paragraph 1.2A is inserted as follows:

1.2A An entity applying this FRS must ensure it complies with any relevant legal requirements applicable to it. This FRS does not necessarily contain all legal disclosure requirements. In relation to small companies (see Section 1A Small Entities) most legal disclosure requirements are included, but, for example, those only relevant when the financial statements have been audited are not included.

3 Paragraph 1.3 and footnote 4 are amended as follows (footnotes 5 and 6 are not amended, and are not reproduced here):

1.3 As stated in FRS 100, an entity that is required by the IAS Regulation (or other legislation or regulation) to prepare consolidated financial statements in accordance with EU-adopted IFRS must do so. The individual financial statements of such an entity, or the individual financial statements or consolidated financial statements of any other entity within the scope of FRS 100, must be prepared in accordance with the following requirements:

(a) If the financial statements are those of the individual financial statements of an entity that is eligible to apply FRS 105 the FRSSE, they may be prepared in accordance with that standard.

(b) If the financial statements are those of an entity that is not eligible to apply FRS 105 the FRSSE but chooses not to do so, they must be prepared in accordance with this FRS, EU-adopted IFRS or FRS 101.

4 The eligibility criteria for applying FRS 105 the FRSSE are set out in legislation and paragraph 8 of FRS 105 the FRSSE. In establishing whether the eligibility criteria have been met is that the entity must be ‘small’ as defined in company law. Turnover and balance sheet total shall be measured in accordance with FRS 105 the FRSSE for the purposes of establishing whether the entity is ‘small’, the measurement of turnover and balance sheet total in accordance with FRS 101 or FRS 102 need not be considered.

4 Paragraph 1.12 is amended as follows:

1.12 A qualifying entity (for the purposes of this FRS) may take advantage of the following disclosure exemptions:

(a) The requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv).

(b) The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d).

(c) The requirements of Section 11 paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) 11.39 to 11.48A and Section 12 paragraphs 12.26 (in relation to those cross-referenced paragraphs from which a disclosure exemption is available), 12.27, 12.29(a), 12.29(b), and to 12.29A providing the equivalent disclosures equivalent to those required by this FRS are included in the consolidated financial statements of the group in which the entity is consolidated.

6 Amendments to FRS 102: Small entities and other minor amendments (July 2015)
(d) The requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23, provided that for a qualifying entity that is:

(i) a **subsidiary**, the share-based payment arrangement concerns equity instruments of another group entity;

(ii) an ultimate parent, the share-based payment arrangement concerns its own equity instruments and its **separate financial statements** are presented alongside the consolidated financial statements of the group in which the entity is consolidated.

(e) The requirement of Section 33 **Related Party Disclosures** paragraph 33.7.

5 Paragraph 1.15 is inserted as follows:

1.15 In July 2015 amendments were made to this FRS to incorporate the new small entities regime and make other amendments necessary to maintain consistency with company law. An entity shall apply the amendments set out in **Amendments to FRS 102 – Small entities and other minor amendments** (the July 2015 amendments) other than the replacement of paragraph 26.15 with new paragraphs 26.15 to 26.15B for accounting periods beginning on or after 1 January 2016. Early application is:

(a) permitted for accounting periods beginning on or after 1 January 2015 provided that **The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015** (SI 2015/980) are applied from the same date; and

(b) required if an entity applies **The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015** (SI 2015/980) to a reporting period beginning before 1 January 2016.

For entities not subject to company law, early application is permitted from 1 January 2015.

If an entity applies the July 2015 amendments before 1 January 2016 it shall disclose that fact, unless it is a **small entity**, in which case it is encouraged to disclose that fact.
Section 1A
Small Entities

6 A new Section 1A Small Entities and its appendices are inserted as follows:

Scope of this section

1A.1 This section sets out the information that shall be presented and disclosed in the financial statements of a small entity that chooses to apply the small entities regime. Unless excluded below, all of the requirements of this FRS apply to a small entity, including the recognition and measurement requirements.

1A.2 Unless a small entity chooses to apply EU-adopted IFRS, or if eligible, FRS 101, a small entity that chooses not to apply the small entities regime shall apply FRS 102 excluding Section 1A.

1A.3 References to a small entity in paragraphs 1A.4 to 1A.22 and the Appendices to Section 1A are to a small entity that chooses to apply the small entities regime.

1A.4 This section applies to all small entities applying the small entities regime, whether or not they report under the Act. Small entities that do not report under the Act shall comply with the requirements of this section, and with the Small Companies Regulations (or, where applicable, the Small LLP Regulations) where referred to in this section, except to the extent that these requirements are not permitted by any statutory framework under which such entities report.

True and fair view

1A.5 The financial statements of a small entity shall give a true and fair view of the assets, liabilities, financial position and profit or loss of the small entity for the reporting period (Section 393 of the Act).

1A.6 A small entity may need to provide disclosures in addition to those set out in this section in order to comply with the requirement of paragraph 1A.5 (see also paragraphs 1A.16 and 1A.17).

Complete set of financial statements of a small entity

1A.7 A small entity is not required to comply with the requirements of paragraphs 3.3, PBE3.3A, 3.9, 3.17, 3.18, 3.19 and 3.24(b) which relate to presentation and disclosure requirements that are not required of small companies in company law, Section 4 Statement of Financial Position, Section 5 Statement of Comprehensive Income and Income Statement, Section 6 Statement of Changes in Equity and Statement of Income and Retained Earnings and Section 7 Statement of Cash Flows.

1A.8 Instead a complete set of financial statements of a small entity shall include all of the following:

(a) a statement of financial position as at the reporting date in accordance with paragraph 1A.12;

(b) an income statement for the reporting period in accordance with paragraph 1A.14; and

(c) notes in accordance with paragraphs 1A.16 to 1A.20.
1A.9 In addition to the statements required by company law and set out in paragraph 1A.8:

(a) when a small entity recognises gains or losses in other comprehensive income it is encouraged to present a statement of total comprehensive income (see Section 5); and

(b) when a small entity has transactions with equity holders it is encouraged to present a statement of changes in equity, or a statement of income and retained earnings, (see Section 6),

in order to meet the requirements of paragraph 1A.5.

1A.10 In accordance with paragraph 3.14 a small entity shall present comparative information in respect of the preceding period for all amounts presented in the current period’s financial statements, except when this FRS permits or requires otherwise.

1A.11 In accordance with paragraph 3.22 a small entity may use titles for the financial statements other than those used in this FRS as long as they are not misleading.

Information to be presented in the statement of financial position

1A.12 A small entity shall present a statement of financial position in accordance with the requirements for a balance sheet set out in either Part 1 General Rules and Formats of Schedule 1 to the Small Companies Regulations or Part 1 General Rules and Formats of Schedule 1 to the Small LLP Regulations.

1A.13 Guidance on applying these requirements is set out in Appendix A to this section, which shall be applied by a small entity.

Information to be presented in the income statement

1A.14 A small entity shall present its profit or loss for a period in an income statement in accordance with the requirements for a profit and loss account set out in either Part 1 General Rules and Formats of Schedule 1 to the Small Companies Regulations or Part 1 General Rules and Formats of Schedule 1 to the Small LLP Regulations.

1A.15 Guidance on applying these requirements is set out in in Appendix B to this section, which shall be applied by a small entity.

Information to be presented in the notes to the financial statements

1A.16 A small entity shall present sufficient information in the notes to the financial statements to meet the requirement for the financial statements to give a true and fair view of the assets, liabilities, financial position and profit or loss of the small entity for the reporting period.

1A.17 A small entity is not required to comply with the disclosure requirements of Section 3 (to the extent set out in paragraph 1A.7) and Sections 8 to 35 of this FRS. However, because those disclosures are usually considered relevant to giving a true and fair view, a small entity is encouraged to consider and provide any of those disclosures that are relevant to material transactions, other events or conditions of the small entity in order to meet the requirement set out in paragraphs 1A.5 and 1A.16. In accordance with paragraph 3.16A a small entity need not provide a specific disclosure (including those set out in paragraph 1A.18 and Appendix C to this section) if the information is not material.

1A.18 As a minimum, where relevant to its transactions, other events and conditions, a small entity shall provide the disclosures set out in Appendix C to this section.
1A.19 The paragraphs of Sections 8 to 35 of this FRS that are cross-referenced in Appendix C are also highlighted in those sections by including an * in the left-hand margin.

1A.20 In addition, a small entity is encouraged to make the disclosures set out in Appendix D to this section, which may nevertheless be necessary to give a true and fair view.

Voluntary preparation of consolidated financial statements

1A.21 A small entity that is a parent entity is not required to prepare consolidated financial statements.

1A.22 If a small entity that is a parent voluntarily chooses to prepare consolidated financial statements it:

(a) shall apply the consolidation procedures set out in Section 9 Consolidated and Separate Financial Statements;

(b) is encouraged to provide the disclosures set out in paragraph 9.23;

(c) shall comply so far as practicable with the requirements of Section 1A as if it were a single entity (Schedule 6 of the Small Companies Regulations, paragraph 1(1)), subject to any restrictions or exemptions set out in legislation; and

(d) shall provide any disclosures required by Schedule 6 of the Small Companies Regulations.
Appendix A to Section 1A

Guidance on adapting the balance sheet formats

This appendix is an integral part of the Standard.

1AA.1 As set out in paragraph 1A.12 a small entity shall present a statement of financial position in accordance with the requirements for a balance sheet set out in either Part 1 General Rules and Formats of Schedule 1 to the Small Companies Regulations or Part 1 General Rules and Formats of Schedule 1 to the Small LLP Regulations. This results in three alternatives:

(a) apply the required balance sheet formats as set out in legislation (subject to any permitted flexibility);
(b) draw up an abridged balance sheet (see paragraph 1AA.2); or
(c) adapt one of the balance sheet formats (see paragraphs 1AA.3 to 1AA.6).

Abridged balance sheet

1AA.2 A small entity choosing to apply paragraph 1A(1) of Schedule 1 to the Small Companies Regulations and draw up an abridged balance sheet must still meet the requirement for the financial statements to give a true and fair view. A small entity shall therefore also consider the requirements of paragraph 1A.16, and provide any additional disclosure that is necessary in the notes to the financial statements, for example in relation to disaggregating the information in the balance sheet.

Adapted balance sheet

1AA.3 A small entity choosing to apply paragraph 1B(1) of Schedule 1 to the Small Companies Regulations and adapt one of the balance sheet formats shall, as a minimum, include in its statement of financial position line items that present the following, distinguishing between those items that are current and those that are non-current:

(a) property, plant and equipment;
(b) investment property carried at fair value through profit or loss;
(c) intangible assets;
(d) financial assets (excluding amounts shown under (e), (f), (j) and (k));
(e) investments in associates;
(f) investments in jointly controlled entities;
(g) biological assets carried at cost less accumulated depreciation and impairment;
(h) biological assets carried at fair value through profit or loss;
(i) inventories;
(j) trade and other receivables;
(k) cash and cash equivalents;
(l) trade and other payables;
(m) provisions;
(n) financial liabilities (excluding amounts shown under (l) and (m)).
(o) liabilities and assets for current tax;
(p) deferred tax liabilities and deferred tax assets (classified as non-current);
(q) non-controlling interest, presented within equity separately from the equity attributable to the owners of the parent; and
(r) equity attributable to the owners of the parent.

1AA.4 A small entity choosing to apply paragraph 1B(1) of Schedule 1 to the Small Companies Regulations and adapt one of the balance sheet formats shall also disclose, either in the statement of financial position or in the notes, the following sub-classifications of the line items presented:
(a) property, plant and equipment in classifications appropriate to the small entity;
(b) goodwill and other intangible assets;
(c) investments, showing separately shares and loans;
(d) trade and other receivables, showing separately amounts due from related parties and amounts due from other parties;
(e) trade and other payables, showing separately amounts payable to trade suppliers and amounts payable to related parties; and
(f) classes of equity, such as called up share capital, share premium, retained earnings, revaluation reserve, fair value reserve and other reserves.

1AA.5 The descriptions used in paragraphs 1AA.3 and 1AA.4, and the ordering of items or aggregation of similar items, may be amended according to the nature of the small entity and its transactions, to provide information that is relevant to an understanding of the small entity's financial position, providing the information given is at least equivalent to that required by the balance sheet format had it not been adapted.

1AA.6 In order to comply with the requirement to distinguish between those items that are current and those that are non-current a small entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position.
Appendix B to Section 1A

Guidance on adapting the profit and loss account formats

This appendix is an integral part of the Standard.

1AB.1 As set out in paragraph 1A.14 a small entity shall present its profit or loss for a period in an income statement in accordance with the requirements for a profit and loss account set out in either Part 1 General Rules and Formats of Schedule 1 to the Small Companies Regulations or Part 1 General Rules and Formats of Schedule 1 to the Small LLP Regulations. This results in three alternatives:

(a) apply the required profit and loss account formats as set out in legislation (subject to any permitted flexibility);
(b) draw up an abridged profit and loss account (see paragraph 1AB.2); or
(c) adapt one of the profit and loss account formats (see paragraphs 1AB.3 and 1AB.4).

Abridged profit and loss account

1AB.2 A small entity choosing to apply paragraph 1A(2) of Schedule 1 to the Small Companies Regulations and draw up an abridged profit and loss account must still meet the requirement for the financial statements to give a true and fair view. A small entity shall therefore also consider the requirements of paragraph 1A.16 and provide any additional disclosure that is necessary in the notes to the financial statements, for example in relation to disaggregating gross profit or loss and disclosing turnover.

Adapted profit and loss account

1AB.3 A small entity choosing to apply paragraph 1B(2) of Schedule 1 to the Small Companies Regulations and adapt one of the profit and loss account formats shall, as a minimum, include in its income statement line items that present the following amounts for the period:

(a) revenue;
(b) finance costs;
(c) share of the profit or loss of investments in associates (see Section 14 Investments in Associates) and jointly controlled entities (see Section 15 Investments in Joint Ventures) accounted for using the equity method;
(d) profit or loss before taxation;
(e) tax expense excluding tax allocated to other comprehensive income or equity; and
(f) profit or loss.

1AB.4 A small entity may include additional line items in the income statement and it amends the descriptions used in paragraph 1AB.3, and the ordering of items, when this is necessary to explain the elements of financial performance, providing the information given is at least equivalent to that required by the profit and loss account format had it not been adapted.

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Appendix C to Section 1A

Disclosure requirements for small entities

This appendix is an integral part of the Standard.

This appendix sets out the disclosure requirements for small entities based on the requirements of company law. These are shown in italic font in the paragraphs below. Other than substituting company law terminology with the equivalent terminology used in FRS 102 (see Appendix III) the drafting is as close as possible to that set out in company law. References to Schedule 1 are to Schedule 1 of the Small Companies Regulations.

Where there is a similar disclosure requirement in FRS 102 this has been indicated and those paragraphs of FRS 102 that have been cross-referenced are also highlighted by including an * in the left-hand margin. In many cases compliance with the similar requirement of FRS 102 will result in compliance with the requirements below.

1AC.1 As a minimum, where relevant to its transactions, other events and conditions, a small entity shall provide the disclosures set out in this Appendix.

1AC.2 The notes must be presented in the order in which, where relevant, the items to which they relate are presented in the statement of financial position and in the income statement. (Schedule 1, paragraph 42(2))

Paragraphs 8.3 and 8.4 address similar requirements.

Accounting policies

1AC.3 The accounting policies adopted by the small entity in determining the amounts to be included in respect of items shown in the statement of financial position and in determining the profit or loss of the small entity must be stated (including such policies with respect to the depreciation and impairment of assets). (Schedule 1, paragraph 44)

Paragraph 8.5 addresses similar requirements. Including information about the judgements made in applying the small entity’s accounting policies, as set out in paragraph 8.6, may be useful to users of the small entity’s financial statements.

1AC.4 If any amount is included in a small entity’s statement of financial position in respect of development costs, the note on accounting policies must include the following information:

(a) the period over which the amount of those costs originally capitalised is being or is to be written off; and

(b) the reasons for capitalising the development costs in question. (Schedule 1, paragraph 21(2))

Paragraph 18.27(a) addresses similar requirements to paragraph 1AC.4(a).

1AC.5 Where development costs are shown or included as an asset in the small entity’s financial statements and the amount is not treated as a realised loss because there are special circumstances justifying this, a note to the financial statements must state the reasons for showing development costs as an asset and that it is not a realised loss. (Section 844 of the Act)
1AC.6 Where in exceptional cases the useful life of intangible assets cannot be reliably estimated, there must be disclosed in a note to the financial statements the period over which those intangible assets are being written off and the reasons for choosing that period. (Schedule 1, paragraph 22(4))

Intangible assets include goodwill. Paragraphs 18.27(a) and 19.25(g) address similar requirements.

Changes in presentation and accounting policies and corrections of prior period errors

1AC.7 Where there is a change in the presentation of a small entity’s statement of financial position or income statement, particulars of any such change must be given in a note to the financial statements in which the new presentation is first used, and the reasons for the change must be explained. (Schedule 1, paragraph 2(2))

Paragraphs 3.12 and 3.13 address similar requirements.

1AC.8 Where the corresponding amount for the immediately preceding financial year is not comparable with the amount to be shown for the item in question in respect of the reporting period, and the corresponding amount is adjusted, the particulars of the non-comparability and of any adjustment must be disclosed in a note to the financial statements. (Schedule 1, paragraph 7(2))

This is likely to be relevant where there has either been a change in accounting policy or the correction of a material prior period error. Paragraphs 10.13, 10.14 and 10.23 address similar requirements.

1AC.9 Where any amount relating to a preceding reporting period is included in any item in the income statement, the effect must be stated. (Schedule 1, paragraph 61(1))

True and fair override

1AC.10 If it appears to the small entity that there are special reasons for departing from any of the principles set out in company law in preparing the small entity’s financial statements in respect of any reporting period, it may do so, in which case particulars of the departure, the reasons for it, and its effects must be given in the notes to the financial statements. (Schedule 1, paragraph 10(2))

This is only expected to occur in special circumstances. Paragraphs 3.4 and 3.5 address similar requirements.

Notes supporting the statement of financial position

1AC.11 Where an asset or liability relates to more than one item in the statement of financial position, the relationship of such asset or liability to the relevant items must be disclosed either under those items or in the notes to the financial statements. (Schedule 1, paragraph 9A)
Fixed assets

1AC.12 In respect of each item which is shown under the general item ‘fixed assets’ in the small entity’s statement of financial position the following information must be given:

(a) the aggregate amounts (on the basis of cost or revaluation) in respect of that item as at the date of the beginning of the reporting period and as at the reporting date respectively;

(b) the effect on any amount shown in the statement of financial position in respect of that item of:
   (i) any revision of the amount in respect of any assets included under that item made during the reporting period as a result of revaluation;
   (ii) acquisitions during the reporting period of any assets;
   (iii) disposals during the reporting period of any assets; and
   (iv) any transfers of assets of the small entity to and from that item during the reporting period. (Schedule 1, paragraphs 48(1) and 48(2))

1AC.13 In respect of each item within paragraph 1AC.12 there must also be stated:

(a) the cumulative amount of provisions for depreciation and impairment of assets included under that item as at the date of the beginning of the reporting period and as at the reporting date respectively;

(b) the amount of any such provisions made in respect of the reporting period;

(c) the amount of any adjustments made in respect of any such provisions during the reporting period in consequence of the disposal of any assets; and

(d) the amount of any other adjustments made in respect of any such provisions during the reporting period. (Schedule 1, paragraph 48(3))

These two paragraphs apply to all fixed assets, including investment property, property, plant and equipment, intangible assets (including goodwill), fixed asset investments, biological assets and heritage assets recognised in the statement of financial position.

Each item refers to a class of fixed assets shown separately either in the statement of financial position, or in the notes to the financial statements.

These reconciliations need not be presented for prior periods.

Paragraph 16.10(e) addresses similar requirements for investment property. Paragraphs 17.31(d) and (e) address similar requirements for property, plant and equipment. Paragraphs 18.27(c) and (e) address similar requirements for intangible assets other than goodwill. Paragraph 19.26 addresses similar requirements for goodwill. Paragraphs 34.7(c) and 34.10(e) address similar requirements for biological assets. Paragraphs 34.55(e) and (f) address similar requirements for heritage assets recognised in the statement of financial position.

Fixed assets measured at revalued amounts

1AC.14 When fixed assets are measured at revalued amounts the items affected and the basis of valuation adopted in determining the amounts of the assets in question in the case of each such item must be disclosed in the note on accounting policies. (Schedule 1, paragraph 34(2))
These requirements apply when:

- investments in subsidiaries, associates and joint ventures are measured at fair value with changes in fair value recognised in other comprehensive income. Paragraph 9.27(b) addresses a similar disclosure requirement;
- property, plant and equipment are revalued using the revaluation model set out in paragraphs 17.15B to 17.15F. Paragraph 17.31(a) addresses a similar disclosure requirement; and
- intangible assets other than goodwill are revalued using the revaluation model set out in paragraphs 18.18B to 18.18H.

These requirements do not apply to investment property and biological assets measured at fair value through profit or loss.

1AC.15 Where any fixed assets of the small entity (other than listed investments) are included under any item shown in the small entity's statement of financial position at a revalued amount, the following information must be given:

(a) the years (so far as they are known to the directors) in which the assets were severally valued and the several values;
(b) in the case of assets that have been valued during the reporting period, the names of the persons who valued them or particulars of their qualifications for doing so and ( whichever is stated) the bases of valuation used by them.

(Schedule 1, paragraph 49)

Paragraphs 17.32A(a) and (c), 18.29A(a) and (c) and 34.55(e)(ii) address similar requirements. These paragraphs do not require the names or qualifications of the persons who valued the fixed assets to be disclosed; paragraphs 17.32A(b) and 18.29A(b) address only whether or not the valuer was independent.

These requirements apply in the same circumstances as those set out in paragraph 1AC.14.

1AC.16 In the case of each item in the statement of financial position measured at a revalued amount, the comparable amounts determined according to the historical cost accounting rules must be shown in a note to the financial statements. (Schedule 1, paragraph 34(3))

The comparable amounts refers to the aggregate amount of cost and the aggregate of accumulated depreciation and accumulated impairment losses that would have been required according to the historical cost accounting rules ( Schedule 1, paragraph 34(4)).

Paragraphs 17.32A(d) and 18.29A(d) address similar requirements.

These requirements apply in the same circumstances as those set out in paragraph 1AC.14.

1AC.17 Where fixed assets are measured at revalued amounts the following information must be given in tabular form:

(a) movements in the revaluation reserve in the reporting period, with an explanation of the tax treatment of items therein; and
(b) the carrying amount in the statement of financial position that would have been recognised had the fixed assets not been revalued. (Schedule 1, paragraph 54(2))
Paragraphs 6.3A, 17.32A(d), 18.29A(d) and 29.27(a) address similar requirements. These requirements apply in the same circumstances as those set out in paragraph 1AC.14.

1AC.18 The treatment for taxation purposes of amounts credited or debited to the revaluation reserve must be disclosed in a note to the financial statements. (Schedule 1, paragraph 35(6))

Paragraph 29.27(a) addresses similar requirements. These requirements apply in the same circumstances as those set out in paragraph 1AC.14.

**Capitalisation of borrowing costs**

1AC.19 When a small entity adopts a policy of capitalising borrowing costs, the inclusion of interest in determining the cost of the asset and the amount of the interest so included is disclosed in a note to the financial statements. (Schedule 1, paragraph 27(3))

Paragraph 25.3A(a) addresses a similar requirement to the second part of this.

**Impairment of assets**

1AC.20 Provisions for impairment of fixed assets (including fixed asset investments) must be disclosed separately in a note to the financial statements if not shown separately in the income statement. (Schedule 1, paragraph 19(3))

Paragraph 27.32(a) addresses similar requirements.

1AC.21 Any provisions for impairment of fixed assets that are reversed because the reasons for which they were made have ceased to apply must be disclosed (either separately or in aggregate) in a note to the financial statements if not shown separately in the income statement. (Schedule 1, paragraph 20(2))

Paragraph 27.32(b) addresses similar requirements.

**Fair value measurement**

1AC.22 Where financial instruments or other assets have been measured at fair value through profit or loss there must be stated:

(a) the significant assumptions underlying the valuation models and techniques used to determine the fair values;

(b) for each category of financial instrument or other asset, the fair value of the assets in that category and the change in value:

(i) included directly in the income statement; or

(ii) credited to or (as the case may be) debited from the fair value reserve, in respect of those assets. (Schedule 1, paragraphs 51(2)(a) and (b))

This does not apply where financial instruments or other assets are measured at fair value only on initial recognition.

This applies where financial instruments, certain inventories, investment property and biological assets are subsequently measured at fair value through profit or loss, which
is permitted or required by paragraphs 9.26(c), 11.14(b), 11.14(d)(i), 12.8, 13.4A, 14.4(d), 15.9(d), 16.7 and 34.4.

Paragraphs 11.41(a), 11.41(d), 11.43, 11.48(a)(i), 11.48(a)(ii), 12.28, 12.29(c), and 12.29(e) address similar disclosure requirements for financial instruments. Paragraphs 16.10(a) and 16.10(e)(ii) address similar disclosure requirements for investment property. Paragraphs 34.7(c)(i) and 34.7(b) address similar disclosure requirements for biological assets.

1AC.23 Where financial instruments or other assets have been measured at fair value through profit or loss there must be stated for each class of derivatives, the extent and nature of the instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows. (Schedule 1, paragraph 51(2)(c))

1AC.24 Where any amount is transferred to or from the fair value reserve during the reporting period, there must be stated in tabular form:

(a) the amount of the reserve as at the beginning of the reporting period and as at the reporting date respectively; and

(b) the amount transferred to or from the reserve during that year. (Schedule 1, paragraph 51(3))

Paragraphs 6.3A, 12.29(c) and 12.29(d) address similar requirements.

1AC.25 The treatment for taxation purposes of amounts credited or debited to the fair value reserve must be disclosed in a note to the financial statements. (Schedule 1, paragraph 41(2))

Paragraph 29.27(a) addresses similar requirements.

Financial instruments measured at fair value

1AC.26 Financial instruments which under international accounting standards may be included in accounts at fair value, may be so included, provided that the disclosures required by such accounting standards are made. (Schedule 1, paragraph 36(4))

This only applies in certain circumstances; for example, it does not apply to derivatives. It applies where investments in subsidiaries, associates and joint ventures are measured at fair value through profit or loss. When it applies, the disclosures required by Section 11 that relate to financial assets and financial liabilities measured at fair value, including paragraph 11.48A, shall be given.

Indebtedness, guarantees and financial commitments

1AC.27 For the aggregate of all items shown under ‘creditors’ in the small entity’s statement of financial position there must be stated the aggregate of the following amounts:

(a) the amount of any debts included under ‘creditors’ which are payable or repayable otherwise than by instalments and fall due for payment or repayment after the end of the period of five years beginning with the day next following the reporting date; and

(b) in the case of any debts so included which are payable or repayable by instalments, the amount of any instalments which fall due for payment after the end of that period. (Schedule 1, paragraph 55(1))
In respect of each item shown under ‘creditors’ in the small entity’s statement of financial position there must be stated the aggregate amount of any debts included under that item in respect of which any security has been given by the small entity with an indication of the nature and form of any such security. (Schedule 1, paragraph 55(2))

Paragraphs 11.46, 13.22(e), 16.10(c), 17.32(a) and 18.28(c) address similar requirements.

The total amount of any financial commitments, guarantees and contingencies that are not included in the balance sheet must be stated. (Schedule 1, paragraph 57(1))

The total amount of any commitments concerning pensions must be separately disclosed. (Schedule 1, paragraph 57(3))

The total amount of any commitments which are undertaken on behalf of or for the benefit of:

(a) any parent, fellow subsidiary or any subsidiary of the small entity; or
(b) any undertaking in which the small entity has a participating interest,

must be separately stated and those within (a) must also be stated separately from those within (b). (Schedule 1, paragraph 57(4))

Such commitments can arise in a variety of situations, including in relation to group entities, investments, property, plant and equipment, leases and pension obligations. Paragraphs 15.19(d), 16.10(d), 17.32(b), 18.28(d), 20.16, 21.15, 28.40A(a), 28.40A(b), 28.41A(d), 33.9(b)(ii) and 34.62 address similar requirements.

An indication of the nature and form of any valuable security given by the small entity in respect of commitments, guarantees and contingencies within paragraph 1AC.29 must be given. (Schedule 1, paragraph 57(2))

Paragraphs 11.46, 13.22(e), 16.10(c), 17.32(a) and 18.28(c) address similar requirements.

If in any reporting period a small entity is or has been party to arrangements that are not reflected in its statement of financial position and at the reporting date the risks or benefits arising from those arrangements are material the nature and business purpose of the arrangements must be given in the notes to the financial statements to the extent necessary for enabling the financial position of the small entity to be assessed. (Section 410A of the Act)

Examples of off-balance sheet arrangements include risk and benefit-sharing arrangements or obligations arising from a contract such as debt factoring, combined sale and repurchase arrangements, consignment stock arrangements, take or pay arrangements, securitisation arranged through separate entities, pledged assets, operating lease arrangements, outsourcing and the like. In many cases the disclosures about financial commitments and contingencies required by paragraphs 1AC.29 and 1AC.30 will also address such arrangements.

Notes supporting the income statement

The amount and nature of any individual items of income or expenses of exceptional size or incidence must be stated. (Schedule 1, paragraph 61(2))

Paragraph 5.9A addresses a similar requirement in relation to material items.

Notes supporting the income statement

The amount and nature of any individual items of income or expenses of exceptional size or incidence must be stated. (Schedule 1, paragraph 61(2))

Paragraph 5.9A addresses a similar requirement in relation to material items.
1AC.33 The notes to a small entity’s financial statements must disclose the average number of persons employed by the small entity in the reporting period. (Section 411 of the Act)

Related party disclosures

1AC.34 Where the small entity is a subsidiary, the following information must be given in respect of the parent of the smallest group for which consolidated financial statements are drawn up of which the small entity is a member:

(a) the name of the parent which draws up the consolidated financial statements;
(b) the address of the parent’s registered office (whether in or outside the UK); or
(c) if it is unincorporated, the address of its principal place of business. (Schedule 1, paragraph 65)

Paragraph 33.5 addresses a similar requirement to paragraph (a).

1AC.35 Particulars must be given of material transactions the small entity has entered into that have not been concluded under normal market conditions with:

(a) owners holding a participating interest in the small entity;
(b) companies in which the small entity itself has a participating interest; and
(c) the small entity’s directors [or members of its governing body].

Particulars must include:

(a) the amount of such transactions;
(b) the nature of the related party relationship; and
(c) other information about the transactions necessary for an understanding of the financial position of the small entity.

Information about individual transactions may be aggregated according to their nature, except where separate information is necessary for an understanding of the effects of the related party transactions on the financial position of the small entity.

Particulars need not be given of transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly-owned by such a member. (Schedule 1, paragraph 66)

Although disclosure is only required of material transactions with the specified related parties that have not been concluded under normal market conditions, small entities disclosing all transactions with such related parties would still be compliant with company law.

Transactions with directors, or members of an entity’s governing body, include directors’ remuneration and dividends paid to directors.

Paragraphs 33.9 and 33.14 address similar requirements for all related parties.

1AC.36 Details of advances and credits granted by the small entity to its directors and guarantees of any kind entered into by the small entity on behalf of its directors must be shown in the notes to the financial statements.

The details required of an advance or credit are:

(a) its amount;
(b) an indication of the interest rate;
(c) its main conditions;
(d) any amounts repaid;
(e) any amounts written off; and
(f) any amounts waived.

There must also be stated in the notes to the financial statements the totals of amounts stated under (a), (d), (e) and (f).

The details required of a guarantee are:
(a) its main terms;
(b) the amount of the maximum liability that may be incurred by the small entity; and
(c) any amount paid and any liability incurred by the small entity for the purpose of fulfilling the guarantee (including any loss incurred by reason of enforcement of the guarantee).

There must also be stated in the notes to the financial statements the totals of amounts stated under (b) and (c). (Section 413 of the Act)

Paragraph 33.9 addresses similar requirements for all related parties.

A small entity that is not a company shall provide this disclosure in relation to members of its governing body.

Other

1AC.37 The financial statements must state:
(a) the part of the UK in which the small entity is registered;
(b) the small entity’s registered number;
(c) whether the small entity is a public or a private company and whether the small entity is limited by shares or by guarantee;
(d) the address of the small entity’s registered office; and
(e) where appropriate, the fact that the entity is being wound up. (Section 396 of the Act)

Paragraph 3.24(a) addresses similar requirements.

1AC.38 Where items to which Arabic numbers are given in any of the formats have been combined, unless they are not material, the individual amounts of any items which have been combined must be disclosed in a note to the financial statements. (Schedule 1, paragraph 4(3))

1AC.39 The nature and financial effect of material events arising after the reporting date which are not reflected in the income statement or statement of financial position must be stated. (Schedule 1, paragraph 64)

Paragraphs 32.10 and 32.11 address similar requirements.
Appendix D to Section 1A

Additional disclosures encouraged for small entities

*This appendix is an integral part of the Standard.*

1AD.1 Where relevant to its transactions, other events and conditions, a small entity is encouraged to provide the following disclosures:

(a) a statement of compliance with this FRS as set out in paragraph 3.3, adapted to refer to Section 1A;

(b) a statement that it is a public benefit entity as set out in paragraph PBE3.3A;

(c) the disclosures relating to going concern set out in paragraph 3.9;

(d) dividends declared and paid or payable during the period (for example, as set out in paragraph 6.5(b)); and

(e) on first-time adoption of this FRS an explanation of how the transition has affected its financial position and financial performance as set out in paragraph 35.13.
Amendments to Section 3
Financial Statement Presentation

7 The following paragraphs set out the amendments to Section 3 Financial Statement Presentation (deleted text is struck through, inserted text is underlined).

8 Paragraph 3.1 is amended as follows:

3.1 This section explains that the fair presentation of financial statements of an entity shall give a true and fair view, what compliance with this FRS requires, and what is a complete set of financial statements.

9 Paragraph 3.1A is inserted as follows:

3.1A A small entity applying Section 1A Small Entities is not required to comply with paragraphs 3.3, PBE3.3A, 3.9, 3.17, 3.18, 3.19 and 3.24(b).

10 The heading before paragraph 3.2, and the paragraph itself, are amended as follows:

Fair presentation True and fair view

3.2 The financial statements shall give a true and fair view of present fairly the assets, liabilities, financial position, financial performance and, when required to be presented, cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in Section 2 Concepts and Pervasive Principles.

(a) The application of this FRS, with additional disclosure when necessary, is presumed to result in financial statements that achieve a true and fair view of the financial position, financial performance and, when required to be presented, cash flows of entities within the scope of this FRS.

(b) [Not used]

The additional disclosures referred to in (a) are necessary when compliance with the specific requirements in this FRS is insufficient to enable users to understand the effect of particular transactions, other events and conditions on the entity's financial position and financial performance.

11 Paragraph 3.4 is amended as follows:

3.4 In the extremely rare special circumstances when management concludes that compliance with any requirement of this FRS or applicable legislation (only when it allows for a true and fair override) is inconsistent with the requirement to give a true and fair view would be so misleading that it would conflict with the objective of financial statements of entities within the scope of this FRS set out in Section 2, the entity shall depart from that requirement in the manner set out in paragraph 3.5.
Paragraph 3.5 is amended as follows (footnote 9 is deleted and subsequent footnotes are renumbered sequentially):

3.5 When an entity departs from a requirement of this FRS in accordance with paragraph 3.4, or from a requirement of applicable legislation, it shall disclose the following:

(a) that management has concluded that the financial statements give a true and fair view of the entity’s financial position, financial performance and, when required to be presented, cash flows;

(b) that it has complied with this FRS or applicable legislation, except that it has departed from a particular requirement of this FRS or applicable legislation to the extent necessary to give a true and fair view; and

(c) the nature and effect of the departure, including the treatment that this FRS or applicable legislation would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in Section 2, and the treatment adopted.
Amendments to Section 4  
Statement of Financial Position

13 The following paragraphs set out the amendments to Section 4 Statement of Financial Position (deleted text is struck through, inserted text is underlined).

14 Paragraph 4.1A is inserted as follows:

4.1A A small entity applying Section 1A Small Entities is not required to comply with this section.

15 Paragraphs 4.2A to 4.2D are inserted as follows:

4.2A An entity choosing to apply paragraph 1A(1) of Schedule 1 to the Regulations and adapt one of the balance sheet formats shall, as a minimum, include in its statement of financial position line items that present the following, distinguishing between those items that are current and those that are non-current:

(a) property, plant and equipment;
(b) investment property carried at fair value through profit or loss;
(c) intangible assets;
(d) financial assets (excluding amounts shown under (e), (f), (j) and (k));
(e) investments in associates;
(f) investments in jointly controlled entities;
(g) biological assets carried at cost less accumulated depreciation and impairment;
(h) biological assets carried at fair value through profit or loss;
(i) inventories;
(j) trade and other receivables;
(k) cash and cash equivalents;
(l) trade and other payables;
(m) provisions;
(n) financial liabilities (excluding amounts shown under (l) and (m));
(o) liabilities and assets for current tax;
(p) deferred tax liabilities and deferred tax assets (classified as non-current);
(q) non-controlling interest, presented within equity separately from the equity attributable to the owners of the parent; and
(r) equity attributable to the owners of the parent.

4.2B An entity choosing to apply paragraph 1A(1) of Schedule 1 to the Regulations shall also disclose, either in the statement of financial position or in the notes, the following sub-classifications of the line items presented:

(a) property, plant and equipment in classifications appropriate to the entity;
(b) intangible assets and goodwill in classifications appropriate to the entity;
(c) investments, showing separately shares and loans;
(d) trade and other receivables showing separately amounts due from related parties, amounts due from other parties, prepayments and receivables arising from accrued income not yet billed;
inventories, showing separately amounts of inventories:

(i) held for sale in the ordinary course of business;
(ii) in the process of production for such sale; and
(iii) in the form of materials or supplies to be consumed in the production process or in the rendering of services.

(f) trade and other payables, showing separately amounts payable to trade suppliers, payable to related parties, deferred income and accruals; and

(g) classes of equity, such as share capital, share premium, retained earnings, revaluation reserve, fair value reserve and other reserves.

4.2C The descriptions used in paragraphs 4.2A and 4.2B, and the ordering of items or aggregation of similar items, may be amended according to the nature of the entity and its transactions, to provide information that is relevant to an understanding of the entity’s financial position, providing the information given is at least equivalent to that required by the balance sheet format had it not been adapted.

4.2D In order to comply with the requirement to distinguish between those items that are current and those that are non-current an entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position.

16 Paragraph 4.4A is amended as follows:

4.4A Unless an entity chooses to apply paragraph 1A(1) of Schedule 1 to the Regulations, in instances where the amount of debtors due after more than one year is so material in the context of the total net current assets that in the absence of disclosure of the debtors due after more than one year on the face of the statement of financial position readers may misinterpret the financial statements, the amount should be disclosed on the face of the statement of financial position within current assets. In most cases it will be satisfactory to disclose the amount due after more than one year in the notes to the financial statements.

17 Paragraph 4.7 is amended as follows:

4.7 Unless an entity chooses to apply paragraph 1A(1) of Schedule 1 to the Regulations, an entity shall classify a creditor as due within one year when the entity does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. For example, this would be the case if the earliest date on which the lender, exercising all available options and rights, could require repayment or (as the case may be) payment was within 12 months after the reporting date.
Amendments to Section 5
Statement of Comprehensive Income and Income Statement

18 The following paragraphs set out the amendments to Section 5 Statement of Comprehensive Income and Income Statement (deleted text is struck through, inserted text is underlined).

19 Paragraph 5.1A is inserted as follows:

5.1A A small entity applying Section 1A Small Entities is not required to comply with this section.

20 Paragraphs 5.5B and 5.5C are inserted as follows:

5.5B An entity choosing to apply paragraph 1A(2) of Schedule 1 to the Regulations and adapt one of the profit and loss account formats shall, as a minimum, include in its statement of comprehensive income line items that present the following amounts for the period:

(a) revenue;
(b) finance costs;
(c) share of the profit or loss of investments in associates (see Section 14 Investments in Associates) and jointly controlled entities (see Section 15 Investments in Joint Ventures) accounted for using the equity method;
(d) profit or loss before taxation;
(e) tax expense excluding tax allocated to items (h) and (i) below or to equity (see paragraph 29.27);
(f) as set out in paragraph 5.7E (including a column identified as discontinued operations) a single amount comprising the total of:
   (i) the post-tax profit or loss of a discontinued operation, and
   (ii) the post-tax gain or loss recognised on the remeasurement of the impairment or on the disposal of the assets or disposal group(s) constituting discontinued operations.
(g) profit or loss;
(h) each item of other comprehensive income classified by nature (excluding amounts in (i));
(i) share of other comprehensive income of associates and jointly controlled entities accounted for by the equity method; and
(j) total comprehensive income.

5.5C An entity may include additional line items in the income statement and amend the descriptions used in paragraph 5.5B, and the ordering of items, when this is necessary to explain the elements of financial performance, providing the information given is at least equivalent to that required by the profit and loss account format had it not been adapted.

21 New paragraph 5.7A is inserted after paragraph 5.7 as follows:

5.7A An entity choosing to apply paragraph 1A(2) of Schedule 1 to the Regulations and adapt one of the profit and loss account formats shall, as a minimum, include in its income statement line items that present the amounts in paragraphs 5.5B(a) to 5.5B(g), with profit or loss as the last line. The statement of comprehensive income shall begin with profit or loss as its first line and shall display, as a
minimum, line items that present the amounts in paragraphs 5.5B(h) to 5.5B(j) and paragraph 5.6(b) for the period, with total comprehensive income as the last line.

22 Existing paragraphs 5.7A to 5.7E are renumbered as paragraphs 5.7B to 5.7F.

23 In renumbered paragraph 5.7E the terms ‘discontinued operation’, ‘assets’ and ‘disposal group(s)’ are no longer shown in bold type.

24 New paragraph 5.10 is inserted below the sub-heading Ordinary activities and extraordinary items as follows:

5.10 An entity applying paragraph 5.5(a) or 5.7(a) shall not present or describe any items of income and expense as ‘extraordinary items’ in the statement of comprehensive income (or in the income statement, if presented) or in the notes.

Paragraphs 5.10A and 5.10B apply to entities applying paragraphs 5.5(b), 5.5(c), 5.5(d), 5.7(b), 5.7(c) or 5.7(d).

25 The existing paragraph 5.10 is renumbered as paragraph 5.10A and the existing paragraph 5.10A is renumbered as paragraph 5.10B.
Amendments to Section 6
Statement of Changes in Equity and Statement of Income and Retained Earnings

26 The following paragraphs set out the amendments to Section 6 Statement of Changes in Equity and Statement of Income and Retained Earnings (deleted text is struck through, inserted text is underlined).

27 Paragraph 6.1A is inserted as follows:

6.1A A small entity applying Section 1A Small Entities is not required to comply with this section. However, paragraph 1A.9 encourages a small entity to present a statement of changes in equity or a statement of income and retained earnings.
Amendments to Section 7  
Statement of Cash Flows

28 The following paragraphs set out the amendments to Section 7 Statement of Cash Flows (inserted text is underlined).

29 Paragraph 7.1B is inserted as follows:
   7.1B A small entity is not required to comply with this section.
Amendments to Section 8
Notes to the Financial Statements

30 The following paragraphs set out the amendments to Section 8 Notes to the Financial Statements (inserted text is underlined).

31 A new footnote (to be sequentially numbered) is inserted after the word ‘normally’ in paragraph 8.4 (subsequent footnotes are renumbered sequentially) as follows:

Company law requires the notes to be presented in the order in which, where relevant, the items to which they relate are presented in the statement of financial position and in the income statement.

32 Amendments to FRS 102: Small entities and other minor amendments (July 2015)
Amendments to Section 9
Consolidated and Separate Financial Statements

32 The following paragraphs set out the amendments to Section 9 Consolidated and Separate Financial Statements (deleted text is struck through, inserted text is underlined).

33 Paragraph 9.3 is amended as follows:

9.3 A parent is exempt from the requirement to prepare consolidated financial statements on any of the following grounds:

When its immediate parent is established under the law of an EEA State (Section 400 of the Act):

(a) The parent is a wholly-owned subsidiary and its immediate parent is established under the law of an EEA State. Exemption is conditional on compliance with certain further conditions set out in section 400(2) of the Act.

(b) The immediate parent holds 90% or more of the allotted shares in the entity and the remaining shareholders have approved the exemption. Exemption is conditional on compliance with certain further conditions set out in section 400(2) of the Act.

(d) The immediate parent holds more than 50% (but less than 90%) of the allotted shares in the entity, and notice requesting the preparation of consolidated financial statements has not been served on the entity by shareholders holding in aggregate at least 5% of the allotted shares in the entity. Exemption is conditional on compliance with certain further conditions set out in section 400(2) of the Act.

When its immediate parent is not established under the law of an EEA State (Section 401 of the Act):

(c) The parent is a wholly-owned subsidiary of another entity and that parent is not established under the law of an EEA State. Exemption is conditional on compliance with certain further conditions set out in section 401(2) of the Act.

(d) The immediate parent holds 90% or more of the allotted shares in the entity and the remaining shareholders have approved the exemption. Exemption is conditional on compliance with certain further conditions set out in section 401(2) of the Act.

(dA) The immediate parent holds more than 50% (but less than 90%) of the allotted shares in the entity, and notice requesting the preparation of consolidated financial statements has not been served on the entity by shareholders holding in aggregate at least 5% of the allotted shares in the entity. Exemption is conditional on compliance with certain further conditions set out in section 401(2) of the Act.

Other situations

(e) The parent, and the group headed by it, qualify as small as set out in section 383 of the Act and the parent and the group are considered ineligible for the exemption as determined by reference to set out in sections 384 and 399(2A) of the Act.
(f) All of the parent’s subsidiaries are required to be excluded from consolidation by paragraph 9.9 (Section 402 of the Act).

(g) For a parent not reporting under the Act, if its statutory framework does not require the preparation of consolidated financial statements.

In sub-paragraphs (a) to (dA), the parent is not exempt if any of its transferable securities are admitted to trading on a regulated market of any EEA State within the meaning of Directive 2004/39/EC.
Amendments to Section 11
Basic Financial Instruments

34 The following paragraphs set out the amendments to Section 11 Basic Financial Instruments (deleted text is struck through, inserted text is underlined).

35 Paragraph 11.2 is amended as follows:

11.2 An entity shall choose to apply either:

(a) the provisions of both Section 11 and Section 12 in full; or

(b) the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU), the disclosure requirements of Sections 11 and 12 and the presentation requirements of paragraphs 11.38A or 12.25B; or

(c) the recognition and measurement provisions of IFRS 9 Financial Instruments and/or IAS 39 (as amended following the publication of IFRS 9) subject to the restriction in paragraph 11.2A, the disclosure requirements of Sections 11 and 12 and the presentation requirements of paragraphs 11.38A or 12.15B; to account for all of its financial instruments. Where an entity chooses (b) or (c) it applies the scope of the relevant standard to its financial instruments. An entity's choice of (a), (b) or (c) is an accounting policy choice. Paragraphs 10.8 to 10.14 contain requirements for determining when a change in accounting policy is appropriate, how such a change should be accounted for and what information should be disclosed about the change.

36 Paragraph 11.2A is inserted as follows:

11.2A An entity, including an entity that is not a company, that has made the accounting policy choice in paragraph 11.2(c) to apply the recognition and measurement provisions of IFRS 9 shall depart from the provisions of IFRS 9 as follows:

A financial asset that is not permitted by the Small Companies Regulations, the Regulations, the Small LLP Regulations or the LLP Regulations to be measured at fair value through profit or loss shall be measured at amortised cost in accordance with paragraphs 5.4.1 to 5.4.4 of IFRS 9.

37 In paragraph 11.7(d) the term 'fair value' is no longer shown in bold type.

38 In paragraph 11.10(b) the term 'profit or loss' is no longer shown in bold type.

39 Examples – financial assets, example 1 following paragraph 11.13 is amended as follows:

1 For a long-term loan at a market rate of interest made to another entity, a receivable is recognised at the amount of the cash advanced present value of cash receivable (including interest payments and repayment of principal) from that entity plus transaction costs incurred by the entity (see the example following paragraph 11.20).

40 Examples – financial liabilities, example 1 following paragraph 11.13 is amended as follows:

1 For a loan received from a bank at a market rate of interest, a payable is recognised initially at the amount of the cash received from the bank less separately incurred transaction costs present value of cash payable to the bank (eg including interest payments and repayment of principal).
41 In paragraph 11.14(a) the term ‘amortised cost’ is no longer shown in bold type.

42 Paragraph 11.39 is amended as follows:

11.39 The disclosures below make reference to disclosures for certain financial 
liabilities instruments measured at fair value through profit or loss. Entities that have only 
basic financial instruments (and therefore do not apply Section 12), and have not 
chosen to designate financial instruments at fair value through profit or loss (in 
accordance with paragraph 11.14(b)) will not have any financial liabilities 
instruments measured at fair value through profit or loss and hence will not 
need to provide such disclosures.

43 Paragraph 11.48A is amended and a new footnote (to be sequentially numbered) is 
inserted (subsequent footnotes are renumbered sequentially) as follows:

11.48A An entity, including an entity that is not a company, shall provide the following 
disclosures are required only for financial instruments measured at fair value 
through profit or loss that are in accordance with paragraph 36(4) of Schedule 1 to 
the Regulations. This does not include financial liabilities not held as part of a 
trading portfolio and are not derivatives. The required disclosures are:

(a) The amount of change, during the period and cumulatively, in the fair value of 
the financial instrument that is attributable to changes in the credit risk of that 
instrument, determined either:

(i) as the amount of change in its fair value that is not attributable to 
changes in market conditions that give rise to market risk; or

(ii) using an alternative method the entity believes more faithfully represents 
the amount of change in its fair value that is attributable to changes in the 
credit risk of the instrument.

(b) The method used to establish the amount of change attributable to changes 
in own credit risk, or, if the change cannot be measured reliably or is not 
material, that fact.

(c) For a financial liability, the difference between the financial liability’s 
carrying amount and the amount the entity would be contractually required to 
pay at maturity to the holder of the obligation.

(d) If an instrument contains both a liability and an equity feature, and the 
instrument has multiple features that substantially modify the cash flows and 
the values of those features are interdependent (such as a callable convertible debt instrument), the existence of those features.

(e) If there is a difference between the fair value of a financial instrument at initial 
recognition and the amount determined at that date using a valuation 
technique. Any the aggregate difference between the fair value at initial 
recognition and the amount that would be determined at that date using a valuation technique, and the amount yet to be recognised in profit or loss at 
the beginning and end of the period and a reconciliation of the changes in the 
balance of this difference.

(f) Information that enables users of the entity’s financial statements to evaluate 
the nature and extent of relevant risks arising from financial instruments to 
which the entity is exposed at the end of the reporting period. These risks 
typically include, but are not limited to, credit risk, liquidity risk and market 
risk. The disclosure should include both the entity’s exposure to each type of 
risk and how it manages those risks.

footnote

And the equivalent requirements of the Small Companies Regulations, the Small 
LLP Regulations and the LLP Regulations.

36 Amendments to FRS 102: Small entities and other minor amendments (July 2015)
Amendments to Section 12
Other Financial Instruments Issues

The following paragraphs set out the amendments to Section 12 Other Financial Instruments Issues (deleted text is struck through, inserted text is underlined).

45 Paragraph 12.2 is amended as follows:

12.2 An entity shall choose to apply either:

(a) the provisions of both Section 11 and Section 12 in full; or

(b) the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU), the disclosure requirements of Sections 11 and 12 and the presentation requirements of paragraphs 11.38A or 12.25B; or

(c) the recognition and measurement provisions of IFRS 9 Financial Instruments and/or IAS 39 (as amended following the publication of IFRS 9) subject to the restriction in paragraph 12.2A, the disclosure requirements of Sections 11 and 12 and the presentation requirements of paragraphs 11.38A or 12.15B;

to account for all of its financial instruments. Where an entity chooses (b) or (c) it applies the scope of the relevant standard to its financial instruments. An entity’s choice of (a), (b) or (c) is an accounting policy choice. Paragraphs 10.8 to 10.14 contain requirements for determining when a change in accounting policy is appropriate, how such a change should be accounted for and what information should be disclosed about the change.

46 Paragraph 12.2A is inserted as follows:

12.2A An entity, including an entity that is not a company, that has made the accounting policy choice in paragraph 12.2(c) to apply the recognition and measurement provisions of IFRS 9 shall depart from those provisions of IFRS 9 as follows:

A financial asset that is not permitted by the Small Companies Regulations, the Regulations, the Small LLP Regulations or the LLP Regulations to be measured at fair value through profit or loss shall be measured at amortised cost in accordance with paragraphs 5.4.1 to 5.4.4 of IFRS 9.

47 In paragraph 12.7 the term ‘fair value’ is no longer shown in bold type.

48 In paragraph 12.8 and 12.8(c) the terms ‘profit or loss’, ‘Regulations’, ‘LLP Regulations’ and ‘amortised cost’ are no longer shown in bold type.

49 Paragraph 12.8(c) is amended as follows:

12.8(c) financial instruments that are not permitted by the Small Companies Regulations, the Regulations, the Small LLP Regulations or the LLP Regulations to be measured at fair value through profit or loss shall be measured at amortised cost in accordance with paragraphs 11.15 to 11.20.
Amendments to Section 13

Inventories

50 The following paragraphs set out the amendments to Section 13 Inventories (deleted text is struck through, inserted text is underlined).

51 Paragraph 13.3 is amended as follows:

13.3 Other than the disclosure requirements in paragraph 13.22 this section does not apply to the measurement of inventories measured at fair value less costs to sell through profit or loss at each reporting date. Inventories shall not be measured at fair value less costs to sell unless it is a more relevant measure of the entity’s performance because the entity operates in an active market where sale can be achieved at published prices, and inventory is a store of readily realisable value.

52 Paragraph 13.4A is amended as follows:

13.4A Inventories held for distribution at no or nominal consideration shall be measured at the lower of cost adjusted, when applicable, for any loss of service potential and replacement cost.

38 Amendments to FRS 102: Small entities and other minor amendments (July 2015)
Amendments to Section 18
Intangible Assets other than Goodwill

53 The following paragraphs set out the amendments to Section 18 *Intangible Assets other than Goodwill* (deleted text is struck through, inserted text is underlined).

54 Paragraph 18.20 is amended as follows:

18.20 If, in exceptional cases, an entity is unable to make a reliable estimate of the useful life of an intangible asset, the life shall not exceed five years.
Amendments to Section 19

Business Combinations and Goodwill

55 The following paragraphs set out the amendments to Section 19 Business Combinations and Goodwill (deleted text is struck through, inserted text is underlined).

56 Paragraph 19.23(a) is amended as follows:

19.23(a) An entity shall follow the principles in paragraphs 18.19 to 18.24 for amortisation of goodwill. Goodwill shall be considered to have a finite **useful life**, and shall be amortised on a systematic basis over its life. If, in exceptional cases, an entity is unable to make a reliable estimate of the useful life of goodwill, the life shall not exceed five years.

57 Paragraph 19.25(g) is amended as follows:

19.25(g) the useful life of goodwill, and if this cannot be reliably estimated exceeds five years, supporting reasons for the period chosen; and
Amendments to Section 21

Provisions and Contingencies

58 The following paragraphs set out the amendments to Section 21 Provisions and Contingencies.

59 Paragraph 21.17 is amended as follows:

21.17 In extremely rare cases, disclosure of some of the information required by paragraphs 21.14 to 21.16 can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset. In such cases, an entity need not disclose all of the information required by those paragraphs insofar as it relates to the dispute, but shall disclose at least the following general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

In relation to provisions, the following information shall be given:

(a) a table showing the reconciliation required by paragraph 21.14(a) in aggregate, including the source and application of any amounts transferred to or from provisions during the reporting period;

(b) particulars of each provision in any case where the amount of the provision is material; and

(c) the fact that, and reason why, the information required by paragraph 21.14 has not been disclosed.

In relation to contingent liabilities, the following information shall be given:

(a) particulars and the total amount of any contingent liabilities (excluding those which arise out of insurance contracts) that are not included in the statement of financial position;

(b) the total amount of contingent liabilities which are undertaken on behalf of or for the benefit of:

   (i) any parent or fellow subsidiary of the entity;

   (ii) any subsidiary of the entity; or

   (iii) any entity in which the reporting entity has a participating interest,

   shall each be stated separately; and

(c) the fact that, and reason why, the information required by paragraph 21.15 has not been disclosed.

In relation to contingent assets, the entity shall disclose the general nature of the dispute, together with the fact that, and reason why, the information required by paragraph 21.16 has not been disclosed.
Amendments to Section 26
Share-based Payment

60 The following paragraphs set out the amendments to Section 26 Share-based Payment (deleted text is struck through, inserted text is underlined).

61 Paragraph 26.15 is deleted and replaced with new paragraphs 26.15 to 26.15B as follows:

Share-based payment transactions with cash alternatives

26.15 Some share-based payment transactions give either the entity or the counterparty a choice of settling the transaction in cash (or other assets) or by the transfer of equity instruments.

26.15A When the entity has a choice of settlement of the transaction in cash (or other assets) or by the transfer of equity instruments, the entity shall account for the transaction as a wholly equity-settled share-based payment transaction in accordance with paragraphs 26.7 to 26.13 unless:

(a) the choice of settlement in equity instruments has no commercial substance (eg because the entity is legally prohibited from issuing shares); or

(b) the entity has a past practice or a stated policy of settling in cash, or generally settles in cash whenever the counterparty asks for cash settlement.

In circumstances (a) and (b) the entity shall account for the transaction as a wholly cash-settled transaction in accordance with paragraph 26.14.

26.15B When the counterparty has a choice of settlement of the transaction in cash (or other assets) or by the transfer of equity instruments, the entity shall account for the transaction as a wholly cash-settled share-based payment transaction in accordance with paragraph 26.14 unless:

(a) the choice of settlement in cash (or other assets) has no commercial substance because the cash settlement amount (or value of the other assets) bears no relationship to, and is likely to be lower in value than, the fair value of the equity instruments.

In circumstance (a) the entity shall account for the transaction as a wholly equity-settled transaction in accordance with paragraphs 26.7 to 26.13.
Amendments to Section 27
Impairment of Assets

62 The following paragraphs set out the amendments¹ to Section 27 *Impairment of Assets* (deleted text is struck through, inserted text is underlined).

63 Paragraph 27.28 is amended as follows:

27.28 An impairment loss recognised for all assets, including goodwill, shall not be reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

64 Paragraph 27.29 is amended as follows:

27.29 For all assets other than goodwill, if and only if the reasons for the impairment loss have ceased to apply, an impairment loss shall be reversed in a subsequent period. An entity ...

65 Paragraph 27.31 is amended as follows:

27.31 When the original impairment loss was based on the recoverable amount of the cash-generating unit to which the asset, including goodwill belongs, the following requirements apply:

(a) The entity shall estimate the recoverable amount of that cash-generating unit at the current reporting date.

(b) If the estimated recoverable amount of the cash-generating unit exceeds its carrying amount, that excess is a reversal of an impairment loss. The entity shall allocate the amount of that reversal to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets and goodwill in the order set out below, subject to the limitation described in (c) below. Those increases in carrying amounts shall be treated as reversals of impairment losses and recognised immediately in profit or loss unless an asset is carried at revalued amount in accordance with another section of this FRS (for example, the revaluation model in Section 17 *Property, plant and equipment*). Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase in accordance with the relevant section of this FRS.

(i) First the assets (other than goodwill) of the unit pro rata on the basis of the carrying amount of each asset in the cash-generating unit; and

(ii) then to any goodwill allocated to the cash-generating unit.

(c) In allocating a reversal of an impairment loss for a cash-generating unit, the reversal shall not increase the carrying amount of any asset above the lower of:

(i) its recoverable amount; and

(ii) the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

(d) Any excess amount of the reversal of the impairment loss that cannot be allocated to an asset because of the restriction in (c) above shall be allocated pro rata to the other assets of the cash-generating unit, except for goodwill.

¹ Subject to additional changes that are expected to be made to the legislation. Prior to those changes being made the previous requirements of this FRS continue to apply.
(e) After a reversal of an impairment loss is recognised, if applicable, the entity shall adjust the depreciation (amortisation) charge for each asset in the cash-generating unit in future periods to allocate the asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.
Amendments to Section 33
Related Party Disclosures

66 The following paragraphs set out the amendments to Section 33 Related Party Disclosures (deleted text is struck through, inserted text is underlined).

67 Paragraph 33.2 is amended as follows:

33.2 A related party is a person or entity that is related to the entity that is preparing its financial statements (the reporting entity).

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions apply:

(i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third entity.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(v) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

68 Paragraph 33.10 is amended as follows:

33.10 An entity shall make the disclosures required by paragraph 33.9 separately for each of the following categories:

(a) entities with control, joint control or significant influence over the entity;

(b) entities over which the entity has control, joint control or significant influence;

(c) key management personnel of the entity or its parent (in the aggregate); and

(d) entities that provide key management personnel services to the entity; and

(e) other related parties.

Financial Reporting Council 45
Amendments to Section 34
Specialised Activities

69 The following paragraphs set out the amendments to Section 34 Specialised Activities (deleted text is struck through, inserted text is underlined).

70 Paragraph PBE34.80 is amended as follows:

PBE34.80 Unless it is not permitted by the statutory framework under which a public benefit entity reports, an entity combination that is a merger shall apply merger accounting as prescribed below. If merger accounting is not permitted an entity combination shall be accounted for as an acquisition in accordance with Section 19.

71 Paragraph PBE34.81 is amended as follows:

PBE34.81 Any entity combination:

(a) which is neither a combination that is in substance a gift nor a merger; or
(b) for which merger accounting is not permitted by the statutory framework under which the public benefit entity reports,

shall be accounted for as an acquisition in accordance with Section 19.
Amendments to Section 35
Transition to this FRS

72 The following paragraphs set out the amendments to Section 35 Transition to this FRS (deleted text is struck through, inserted text is underlined).

73 Paragraph 35.10(b) is amended as follows:

35.10(b) *Share-based payment transactions*

A first-time adopter is not required to apply Section 26 *Share-based Payment* to equity instruments (including the equity component of share-based payment transactions previously treated as compound instruments) that were granted before the date of transition to this FRS, or to liabilities arising from share-based payment transactions that were settled before the date of transition to this FRS. Except that a first-time adopter previously applying FRS 20 (IFRS 2) *Share-based Payment* or IFRS 2 *Share-based Payment* shall, in relation to equity instruments (including the equity component of share-based payment transactions previously treated as compound instruments) that were granted before the date of transition to this FRS, apply either FRS 20/IFRS 2 (as applicable) or Section 26 of this FRS at the date of transition.

In addition, for a small entity that first adopts this FRS for an accounting period that commences before 1 January 2017, this exemption is extended to equity instruments that were granted before the start of the first reporting period that complies with this FRS, provided that the small entity did not previously apply FRS 20 or IFRS 2.

A small entity that chooses to apply this exemption shall provide disclosures in accordance with paragraph 1AC.31.

74 Paragraphs 35.10(u) and (v) are inserted as follows:

35.10(u) *Small entities – fair value measurement of financial instruments*

A small entity that first adopts this FRS for an accounting period that commences before 1 January 2017 need not restate comparative information to comply with the fair value measurement requirements of Section 11 *Basic Financial Instruments* or Section 12, unless those financial instruments were measured at fair value in accordance with the small entity’s previous accounting framework.

A small entity that chooses to present comparative information that does not comply with the fair value measurement requirements of Sections 11 and 12 in its first year of adoption:

(a) shall apply its existing accounting policies to the relevant financial instruments in the comparative information and is encouraged to disclose this fact;

(b) shall disclose the accounting policies applied (in accordance with paragraph 1AC.3); and

(c) shall treat any adjustment between the statement of financial position at the comparative period’s reporting date and the statement of financial position at the start of the first reporting period that complies with Sections 11 and 12 as an adjustment, in the current reporting period, to opening equity.

35.10(v) *Small entities – financing transactions involving related parties*

A small entity that first adopts this FRS for an accounting period that commences before 1 January 2017 need not restate comparative information to comply with the requirements of paragraph 11.13 only insofar as they related to financing transactions involving related parties.
A small entity that chooses to present comparative information that does not comply with the financing transaction requirements of Section 11 in its first year of adoption:

(a) shall apply its existing accounting policies to the relevant financial instruments in the comparative information and is encouraged to disclose this fact;

(b) shall disclose the accounting policies applied (in accordance with paragraph 1AC.3); and

(c) shall treat any adjustment between the statement of financial position at the comparative period’s reporting date and the statement of financial position at the start of the first reporting period that complies with paragraph 11.13 as an adjustment, in the current reporting period, to opening equity. The present value of the financial asset or financial liability at the start of the first reporting period that complies with this FRS may be determined on the basis of the facts and circumstances existing at that date, rather than when the arrangement was entered into.
Amendments to Appendix I: Glossary

75 The following glossary terms and definitions, and footnote 28 (subsequent footnotes will be renumbered sequentially), are deleted:

<table>
<thead>
<tr>
<th>Glossary Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>fair presentation</td>
<td>Faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses unless the override stated in paragraph 3.4 applies.</td>
</tr>
</tbody>
</table>

28 At the date of issue of this FRS, the extant version of the FRSSE is the Financial Reporting Standard for Smaller Entities (effective April 2008). The Financial Reporting Standard for Smaller Entities (effective January 2015) will replace it as the extant standard from 1 January 2015.

76 The following glossary terms and definitions are inserted in alphabetical order:

<table>
<thead>
<tr>
<th>Glossary Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>current liabilities (for the purposes of an entity applying paragraph 1A(1) of Schedule 1 to the Regulations)</td>
<td>Liabilities of the entity which: (a) it expects to settle in its normal operating cycle; (b) it holds primarily for the purpose of trading; (c) are due to be settled within 12 months after the reporting period; or (d) it does not have an unconditional right to defer settlement for at least 12 months after the reporting period.</td>
</tr>
<tr>
<td>FRS 105</td>
<td>FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime</td>
</tr>
<tr>
<td>non-current assets</td>
<td>Assets of the entity which: (a) it does not expect to realise, or intend to sell or consume, in its normal operating cycle; (b) it does not hold primarily for the purpose of trading; (c) it does not expect to realise within 12 months after the reporting period; or (d) are cash or cash equivalents restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.</td>
</tr>
<tr>
<td>non-current liabilities</td>
<td>Liabilities of the entity which are not current liabilities.</td>
</tr>
<tr>
<td>Small Companies Regulations</td>
<td>The Small Companies and Groups (Accounts and Directors’ Report) Regulations 2008 (SI 2008/409)</td>
</tr>
</tbody>
</table>
small entity  
(a) A company meeting the definition of a small company as set out in section 382 or 383 of the Act and not excluded from the small companies regime by section 384;
(b) an LLP qualifying as small and not excluded from the small LLPs regime, as set out in LLP Regulations; or
(c) any other entity that would have met the criteria in (a) had it been a company incorporated under company law.

Small LLP Regulations  

77 The following glossary terms and definitions are amended as follows (deleted text is struck through, inserted text is underlined) (footnote 30 is not amended and is not reproduced here):

| current assets | Assets of the entity which:
| (a) for an entity choosing to apply paragraph 1A(1) of Schedule 1 to the Regulations, are not non-current assets;
| (b) for all other entities, are not fixed assets intended for use on a continuing basis in the entity’s activities. |

| objective of financial statements | To provide information about the financial position, performance and, when required to be presented, cash flows of an entity that is useful for economic decision-making by a broad range of users who are not in a position to demand reports tailored to meet their particular information needs. |

| related party | A related party is a person or entity that is related to the entity that is preparing its financial statements (the reporting entity).
| (a) A person or a close member of that person’s family is related to a reporting entity if that person:
| (i) has control or joint control over the reporting entity;
| (ii) has significant influence over the reporting entity; or
| (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
| (b) An entity is related to a reporting entity if any of the following conditions apply:
| (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
| (ii) one entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member). |
(iii) both entities are joint ventures of the same third entity.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

**turnover**

The amounts derived from the provision of goods and services falling within an entity’s ordinary activities, after deduction of:

(a) trade discounts;

(b) value added tax; and

(c) any other taxes based on the amounts so derived.
## Amendments to Appendix II: Significant differences between FRS 102 and the IFRS for SMEs

The following amendments are made to the table (deleted text is struck through, inserted text is underlined):

<table>
<thead>
<tr>
<th>Section</th>
<th>Changes to the IFRS for SMEs (July 2009)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1A</td>
<td>Small Entities</td>
</tr>
<tr>
<td></td>
<td>This section has been inserted to set out the information that is to be presented and disclosed in the financial statements of a small entity, based on the legal framework for small companies.</td>
</tr>
<tr>
<td>3</td>
<td>Financial Statement Presentation</td>
</tr>
<tr>
<td></td>
<td>The drafting of the requirements has been more closely aligned with the drafting of company law. The requirements in paragraph 3.7 are deleted and requirements set out in the Act are referred to for the use of the true and fair override. Paragraph 3.16 is amended to clarify the role of materiality in the preparation of financial statements. Paragraph 3.16A is inserted to specify that disclosures are not required if the information is not material.</td>
</tr>
<tr>
<td>5</td>
<td>Statement of Comprehensive Income and Income Statement</td>
</tr>
<tr>
<td></td>
<td>The requirements of this section have predominantly been removed and replaced by the requirements set out in the Act. Entities that do not report under the Act comply with the requirements of this section and of the Regulations except to the extent that these requirements are not permitted by any statutory framework under which such entities report. Paragraph 5.10 has been amended and paragraphs 5.10A and 5.10B are inserted to comply with the Act Regulations and includes the definition of an extraordinary item.</td>
</tr>
<tr>
<td>11</td>
<td>Basic Financial Instruments</td>
</tr>
<tr>
<td></td>
<td>The scope of Section 11 is amended to clarify that certain financial instruments are not within its scope. Paragraph 11.2A is inserted to ensure that an entity choosing to apply the recognition and measurement requirements of IFRS 9 complies with the Regulations. Paragraph 11.8(b) is amended to clarify that instruments as described in paragraph 11.6(b) are not debt instruments accounted for under Section 11.</td>
</tr>
<tr>
<td>Section</td>
<td>Changes to the IFRS for SMEs (July 2009)</td>
</tr>
<tr>
<td>---------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Paragraph 11.9(a) is amended to clarify the permissible contractual returns to the lender.</td>
</tr>
<tr>
<td></td>
<td>Paragraph 11.9(aA) is added to include some contractual provisions that provide for a linkage of repayments and/or returns to the lender based on inflation.</td>
</tr>
<tr>
<td></td>
<td>Paragraph 11.9(aB) is added to permit certain variations of the return to the holder during the life of the instrument.</td>
</tr>
<tr>
<td></td>
<td>Paragraph 11.9(c) is amended to clarify that contractual prepayment provisions which are contingent future events exclude those which protect the holder from credit deterioration, changes in central bank levies or tax changes and to clarify when compensation payments do not breach the condition.</td>
</tr>
<tr>
<td></td>
<td>The text of paragraph 11.9(d) is deleted as it is no longer needed.</td>
</tr>
<tr>
<td></td>
<td>Paragraph 11.9(e) is added to permit certain contractual extension options.</td>
</tr>
<tr>
<td></td>
<td>Examples are inserted after paragraph 11.9 to illustrate the application of paragraph 11.9.</td>
</tr>
<tr>
<td></td>
<td>Paragraphs 11.11(b) and (c) are deleted as the instruments shown as examples are excluded from debt instruments within the scope of Section 11 under paragraph 11.8(b).</td>
</tr>
<tr>
<td></td>
<td>Paragraph 11.14(b) is inserted to clarify that entities may choose to designate debt instruments and loan commitments as fair value through profit or loss under certain circumstances.</td>
</tr>
<tr>
<td></td>
<td>Paragraph 11.38A is inserted to allow offsetting of certain financial assets and financial liabilities in the statement of financial position.</td>
</tr>
<tr>
<td></td>
<td>Paragraph 11.48A is inserted to provide disclosures required in accordance with the Regulations for certain financial instruments that are not held as part of a trading portfolio and are not derivatives held at fair value.</td>
</tr>
<tr>
<td></td>
<td>Paragraphs 11.48B and 11.48C require additional disclosures for financial institutions.</td>
</tr>
<tr>
<td>Section</td>
<td>Changes to the IFRS for SMEs (July 2009)</td>
</tr>
<tr>
<td>---------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>12</td>
<td>The scope of Section 12 is amended to exclude financial instruments issued by an entity with a discretionary participation feature, reimbursement assets and financial guarantee contracts. Paragraph 12.2A is inserted to ensure that an entity choosing to apply the recognition and measurement requirements of IFRS 9 complies with the Regulations. Paragraph 12.8(c) is added to clarify when financial instruments within the scope of Section 12 should not be measured at amortised cost. Paragraphs 12.15 to 12.29 are deleted and replaced with paragraphs 12.15 to 12.29A to include revised hedge accounting requirements which have the following effect: (a) the scope of permissible hedged items and hedging instruments is expanded; (b) the hedge accounting conditions are revised and simplified; (c) it determines three hedge accounting models, ie cash flow, fair value and net investment hedges; (d) it clarifies that the cumulative amount of foreign exchange differences relating to a hedge of a net investment in a foreign operation is not reclassified to profit or loss on disposal or partial disposal; and (e) it introduces a documentation requirement in cases of voluntary hedge accounting discontinuation. Paragraph 12.25B is inserted to allow offsetting of certain financial assets and financial liabilities in the statement of financial position. Paragraph 12.26 is amended to comply with requirements set out in the Act. The Appendix to Section 12 is inserted to illustrate by way of example the application of the hedge accounting requirements.</td>
</tr>
<tr>
<td>13</td>
<td>Paragraph 13.3 is amended to permit inventory to be measured at fair value less costs to sell through profit or loss in certain circumstances.</td>
</tr>
<tr>
<td>Section</td>
<td>Changes to the IFRS for SMEs (July 2009)</td>
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<tr>
<td>------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Paragraphs 13.4A and 13.20A are inserted to provide guidance on inventories held for distribution at no or nominal consideration.</td>
</tr>
<tr>
<td></td>
<td>Paragraph 13.5A is inserted to provide guidance on inventory acquired through non-exchange transactions.</td>
</tr>
<tr>
<td></td>
<td>Paragraph 13.8A is inserted to clarify the treatment for provisions made against dismantling and restoration costs (of PPE) in the cost of inventory.</td>
</tr>
<tr>
<td></td>
<td>Paragraph 13.12 is deleted because of the revisions to the hedge accounting requirements.</td>
</tr>
<tr>
<td></td>
<td>Paragraph 13.15 is amended to allow for the inclusion of a cost model for agricultural produce in Section 34 Specialised Activities.</td>
</tr>
<tr>
<td>19</td>
<td>Business Combinations and Goodwill</td>
</tr>
<tr>
<td></td>
<td>Section 19 is amended to permit the use of the merger accounting method for group reconstructions. The merger method is set out in paragraphs 19.29 to 19.33.</td>
</tr>
<tr>
<td></td>
<td>Paragraphs 19.15A to 19.15C are inserted to provide guidance on the treatment of deferred tax assets or liabilities, employee benefit arrangements and share-based payments of a subsidiary on acquisition.</td>
</tr>
<tr>
<td></td>
<td>Paragraph 19.23(a) is amended to comply with company law such that, where an entity is unable to make a reliable estimate of the useful economic life of goodwill, the life shall be presumed not to exceed five years rather than ten years as set out in the IFRS for SMEs.</td>
</tr>
<tr>
<td></td>
<td>Paragraph 19.24 is amended and paragraph 19.26A is inserted to comply with the requirements of the Act for bargain purchases (negative goodwill).</td>
</tr>
<tr>
<td>21</td>
<td>Provisions and Contingencies</td>
</tr>
<tr>
<td></td>
<td>The scope of Section 21 is amended to include financial guarantee contracts. Paragraph 21.17A is inserted to provide guidance on the accounting treatment of financial guarantee contracts.</td>
</tr>
<tr>
<td></td>
<td>Paragraph 21.17 is amended to comply with disclosure requirements set out in the Regulations.</td>
</tr>
<tr>
<td>Section</td>
<td>Changes to the IFRS for SMEs (July 2009)</td>
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<td>---------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>26</td>
<td>Share-based Payment</td>
</tr>
<tr>
<td></td>
<td>The definition of equity-settled share-based payments has been amended to align with the revised IFRS 2 definition. It is clarified that option pricing models do not have to be applied in all circumstances. Paragraph 26.15 has been replaced with new paragraphs 26.15 to 26.15B to bring the accounting for share-based payment arrangements with cash alternatives closer to that required by IFRS 2 when the entity has the settlement choice.</td>
</tr>
<tr>
<td>27</td>
<td>Impairment of Assets</td>
</tr>
<tr>
<td></td>
<td>Paragraph 27.20A is inserted to provide guidance on the treatment of impairments on assets held for their service potential. Paragraph 27.31 is amended to allow the reversal of impairment losses against goodwill. Paragraph 27.33A is inserted to include a descriptive disclosure requirement of the events and circumstances that led to the recognition or reversal of the impairment loss.</td>
</tr>
<tr>
<td>33</td>
<td>Related Party Disclosures</td>
</tr>
<tr>
<td></td>
<td>Paragraph 33.1A is inserted to include the exemption from disclosure of related party transactions for wholly-owned entities available in the Act. The definition of a related party in paragraph 33.2 is amended for consistency with company law.</td>
</tr>
<tr>
<td>35</td>
<td>Transition to this FRS</td>
</tr>
<tr>
<td></td>
<td>Amendments to this section reflect the changes in preceding sections and the different effective date for small entities.</td>
</tr>
</tbody>
</table>
Amendments to Appendix IV: Note on legal requirements

79 The following paragraphs set out the amendments to Appendix IV: Note on legal requirements (deleted text is struck through, inserted text is underlined).

80 Paragraph A4.3 is amended as follows:

A4.3 References to the Act in this appendix are to the Companies Act 2006. References to the Regulations are to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) as amended by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980) following the implementation of the EU Accounting Directive. References to specific provisions are to Schedule 1 to the Regulations; entities applying Schedules 2, 3 or 6 should read them as referring to the equivalent paragraph in those schedules; and small entities applying the Small Companies Regulations should read them as referring to the equivalent paragraph in Schedule 1 to the Small Companies Regulations. Similar provisions generally also apply to limited liability partnerships applying the Small LLP Regulations or the LLP Regulations although some differences do exist (see paragraphs A4.43 to A4.47).

81 Paragraph A4.5 is amended as follows (footnote 36 is not amended and not repeated here):

A4.5 All other entities, except those that are eligible to apply the Financial Reporting Standard for Smaller Entities (effective January 2015) (FRSSE) FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime, must apply36 either FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, EU-adopted IFRS or FRS 101 Reduced Disclosure Framework (if the financial statements are the individual financial statements of a qualifying entity eligible to apply FRS 101- Reduced Disclosure Framework).

82 The sub-heading Small companies is inserted after paragraph A4.11, and paragraphs A4.11A to A4.11E are inserted below it:

A4.11A The definition of a small company is contained in sections 382 and 383 of the Act; certain companies are excluded from the small companies regime by section 384. Subject to certain conditions and exclusions, the qualifying conditions are met by a company in a year in which it does not exceed two or more of the following criteria:

(a) Turnover £10.2 million
(b) Balance sheet total £5.1 million
(c) Average number of employees 50

A4.11B A parent company qualifies as a small company in relation to a financial year only if the group that it heads qualifies as small (as set out in section 383 of the Act).

A4.11C The Small Companies Regulations set out the small companies regime. Although FRS 102 was developed on the basis of the Regulations (which apply to large and medium-sized companies) the recognition and measurement requirements of FRS 102 should also be consistent with the Small Companies Regulations.

A4.11D In accordance with section 393 of the Act the directors of any company, including a small company, must not approve accounts unless they are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the company. In order to achieve this, a company, including a small company, may need to provide disclosures additional to those required by company law. In relation to small companies, paragraph 1A.16 of FRS 102 reflects this requirement and paragraph 1A.17 encourages a small company to consider all other disclosures in FRS 102 to determine any additional disclosures to provide.
A4.11E The Small Companies Regulations include options for small companies to prepare an abridged balance sheet and an abridged profit and loss account. In order to take this option small companies must comply with the additional legal requirement that all members of the company have consented to the drawing up of abridged financial statements (which may only be given in respect of the preceding financial year). In accordance with paragraph 1A(4) of Schedule 1 to the Small Companies Regulations this option is not available to small entities that are charities. When a small entity that is not a company chooses to prepare abridged financial statements it should ensure that:

(a) similar consent is obtained from the members of its governing body, taking into account its legal form; and
(b) abridged financial statements would not be prohibited by relevant laws or regulation.

83 Paragraph A4.12 is amended as follows:

A4.12 All preparers of Companies Act accounts must comply with the requirements of paragraph 36 of Schedule 1 to the Regulations, which provides that:

'...

(4) Financial instruments which, under international accounting standards adopted by the European Commission on or before 5th September 2006 in accordance with the IAS Regulation, may be included in accounts at fair value, may be so included, provided that the disclosures required by such accounting standards are made.

(5) [...]'

84 Paragraphs A4.12B and A4.12C are inserted as follows:

A4.12B Further, an entity that has made the accounting policy choice in paragraph 11.2(c) or paragraph 12.2(c) to apply the recognition and measurement provisions of IFRS 9 Financial Instruments shall depart from those provisions of IFRS 9 where the measurement of financial assets at fair value through profit or loss is not permitted by paragraph 36 of Schedule 1 to the Regulations. This can occur in relation to financial assets because the classification and measurement requirements of IFRS 9 are not identical to the equivalent requirements of IAS 39 Financial Instruments: Recognition and Measurement, which is the standard presently adopted by the EU and is therefore the reference point for paragraph 36(4) of Schedule 1 to the Regulations.

A4.12C Paragraph 40 of Schedule 1 to the Regulations requires companies to include fair value gains and losses on financial instruments measured at fair value in the profit and loss account, except when the financial instrument is a hedging instrument or an available for sale security. Therefore, for those companies making the accounting policy choice, in accordance with paragraph 11.2(c) and 12.2(c) of FRS 102, to apply the recognition and measurement requirements of IFRS 9 Financial Instruments, recording fair value gains and losses attributable to changes in credit risk in other comprehensive income in accordance with IFRS 9 will usually be a departure from the requirement of paragraph 40 of Schedule 1 to the Regulations, for the overriding purpose of giving a true and fair view.

85 Paragraph A4.12D is inserted as follows:

A4.12D Entities that are preparing Companies Act accounts must provide the disclosures required by paragraph 55 of Schedule 1 to the Regulations, which sets out requirements relating to financial instruments measured at fair value through profit or loss. Most of these disclosures will be satisfied by equivalent requirements of...
86 Paragraph A4.13 is amended as follows:

A4.13 An entity applying this FRS and holding financial instruments at fair value either in accordance with Sections 11 or 12 Other Financial Instruments Issues may be required to provide the disclosures required by paragraph 36(4) of Schedule 1 to the Regulations. The disclosures as required by paragraph 36(4) have been incorporated into Section 11. Some of the Section 11 disclosure requirements apply to all financial instruments measured at fair value, whilst others (see paragraph 11.48A of FRS 102) apply only to certain financial instruments (this does not include financial liabilities that are not held as part of a trading portfolio and are not nor derivatives). The disclosure requirements of paragraph 11.48A will predominantly apply to certain financial liabilities, however, there may be instances where paragraph 36(3) of Schedule 1 to the Regulations requires that the disclosures must also be provided in relation to financial assets, for example investments in subsidiaries, associates or jointly controlled entities measured at fair value (see paragraph 9.27B of FRS 102).

87 Paragraph A4.14 is amended as follows:

A4.14 FRS 102 does not prescribe which entities prepare financial statements and preparers should apply the requirements of the Act in determining whether financial statements (either individual or consolidated) are required. FRS 102 sets out the requirements for a complete set of financial statements that give a true and fair view of the financial position, financial performance and, where required to be presented, cash flows of an entity, where these are required by law, or other regulation or requirement.

88 Paragraph A4.17 is amended as follows:

A4.17 Paragraph 9.9B(a) requires a group to measure subsidiaries excluded from consolidation by virtue of paragraph 9.9(b) and held as part of an investment portfolio, at fair value through profit or loss. The measurement at fair value through profit or loss, in circumstances where it would not be required by IFRS 10 Consolidated Financial Statements, is a departure from the requirements of paragraph 36 of Schedule 1 to the Regulations, for the overriding purpose of giving a true and fair view in the consolidated financial statements. In this circumstance, entities must provide, in the notes to the financial statements, the particulars of the departure, the reasons for it and its effect (paragraph 10(2) of Schedule 1 to the Regulations).

89 Paragraph A4.26 is amended as follows:

A4.26 Paragraph 36(4) and paragraph 39 of Schedule 1 to the Regulations allow that financial instruments, stocks, investment property, and living animals and plants that may under international accounting standards be held at fair value, may also to be held at fair value in Companies Act accounts.

90 Paragraph A4.30 is amended as follows, with the second part of the paragraph now shown as a separate paragraph A4.30A:

A4.30 Paragraph 10 of Schedule 6 to the Regulations states:

‘The conditions for accounting for an acquisition as a merger are—

(a) that the undertaking whose shares are acquired is ultimately controlled by the same party both before and after the acquisition,

(b) that the control referred to in paragraph (a) is not transitory, and
that adoption of the merger method accords with generally accepted accounting principles or practice.'

Therefore, Paragraph 10 of Schedule 6 to the Regulations permits the use of merger accounting in certain limited circumstances, which is generally consistent with FRS 102 requires the application of the purchase method of accounting for all business combinations within the scope of Section 19 Business Combinations and Goodwill, other than group reconstructions. Paragraph 19.27 of FRS 102 permits merger accounting for group reconstructions. If an entity considers that, for the overriding purpose of giving a true and fair view, merger accounting should be applied in circumstances other than those set out in paragraph 10 of Schedule 6 to the Regulations, it may do so providing the relevant disclosures are made in the notes to the financial statements.

A4.30A Section 34 Specialised Activities requires that combinations by public benefit entities meeting certain criteria are accounted for as a merger, unless this is not permitted by the relevant statutory framework. FRS 102 therefore restricts the circumstances in which does not extend the use of merger accounting may be applied beyond its applicability in company law, or other relevant statutory framework. If a public benefit entity that is a company considers that, for the overriding purpose of giving a true and fair view, merger accounting should be applied in circumstances other than those set out in paragraph 10 of Schedule 6 to the Regulations, it may do so providing the relevant disclosures are made in the notes to the financial statements.

91 Paragraph A4.35 is amended as follows:

   A4.35 Paragraph 24(1) of Schedule 1 to the Regulations requires that if the net realisable value of any current asset is lower than its purchase price or production cost, the amount to be included in respect of that asset must be the net realisable value. However, paragraph 3932(5) permits stocks to be included at their fair value when applying the fair value alternative accounting rules.

92 Paragraph A4.37 is amended as follows:

   A4.37 Paragraph 13.4A of FRS 102 requires inventories held for distribution at no or nominal cost to be measured at the lower of cost (adjusted for any loss in service potential) and replacement cost. This is an application of fair value accounting. Although the alternative accounting rules require measurement at current cost. For inventories, including those held for distribution at no or nominal value (particularly items distributed to beneficiaries by public benefit entities), there is unlikely to be a significant difference between replacement cost and fair value.

93 Paragraph A4.37A and the sub-heading preceding it are inserted as follows:

Amortisation of intangible assets

   A4.37A Paragraph 22 of Schedule 1 to the Regulations requires intangible assets to be written off over their useful economic lives. This is broadly consistent with paragraph 18.21 of FRS 102, except that FRS 102 allows for the possibility that an intangible asset will have a residual value, in which case it is the depreciable amount that shall be amortised, not the cost (or revalued amount) of the intangible asset. In practice it will be uncommon for an intangible asset to have a residual value (paragraph 18.23 requires an entity to assume that the residual value is zero other than in specific circumstances). In those cases where an intangible asset has a residual value that is not zero, the amortisation of the depreciable amount of an intangible asset over its useful economic life is a departure from the...
requirements of paragraph 22 of Schedule 1 to the Regulations for the overriding purpose of giving a true and fair view. In these circumstances entities must provide, in the notes to the financial statements, the 'particulars of the departure, the reasons for it and its effect' (paragraph 10(2) of Schedule 1 to the Regulations).

94 Paragraph A4.38 is amended as follows:

A4.38 Sections 1A, 4 and 5 of FRS 102 require entities to apply one of the profit and loss account and balance sheet formats set out in the Small Companies Regulations, the Regulations, the Small LLP Regulations and the LLP Regulations when preparing their statement of comprehensive income (single-statement approach) or income statement (two-statement approach) and statement of financial position, respectively. The General Rules preceding The Required Formats for Accounts include certain flexibilities for companies (but not LLPs at present), this includes permitting adaptation of the formats, providing the adapted presentation is equivalent to that set out in the formats and that it is consistent with generally accepted accounting practice. For entities within its scope FRS 102 sets out a framework for the information to be presented by those entities choosing to adapt the formats.

95 Paragraphs A4.43 to A4.47 and the related sub-headings are inserted as follows:

A4.43 Limited liability partnerships (LLPs) will be applying FRS 102 in conjunction with the LLP Regulations or the Small LLP Regulations. In many cases these regulations are similar to the Regulations or the Small Companies Regulations, which reduces the situations in which legal matters relevant to the financial statements of LLPs are not addressed in this Appendix. However, the amendments made to the Regulations and the Small Companies Regulations by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980) have not been reflected in the LLP Regulations or the Small LLP Regulations. This gives rise to some differences for LLPs.

Small LLPs

A4.44 The thresholds that are part of the qualifying conditions of a small company and a small LLP have diverged, with the thresholds for a small LLP being lower than those for a small company. Of LLPs, only those qualifying as small (and not otherwise excluded) in accordance with the LLP Regulations, will be able to apply Section 1A Small Entities.

A4.45 A small LLP choosing to apply Section 1A shall provide the following disclosures:

(a) those set out in Appendix C to Section 1A;
(b) those required by the Small LLP Regulations that are additional to those set out in Appendix C to Section 1A; and
(c) any additional disclosures necessary to meet the requirement to give a true and fair view, as set out in paragraph 1A.17.

In accordance with paragraph 1A.20 a small LLP is also encouraged to provide the disclosures set out in Appendix D to Section 1A.

All LLPs

A4.46 In a relatively small number of areas The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980) made changes to the recognition and measurement requirements applicable to companies. These changes have not been made to the LLP Regulations or the Small LLP Regulations and therefore, in a small number of cases, the requirements of
FRS 102 will be inconsistent with the LLP Regulations and the Small LLP Regulations. Areas where this may have an impact include:

(a) the flexibility available in relation to the format of the balance sheet and of the profit and loss account;
(b) the scope of financial instruments that can be measured at fair value through profit or loss;
(c) the reversal of impairment losses in relation to goodwill; and
(d) the application of merger accounting.

If following the requirements of FRS 102 would lead to a conflict with applicable legislation, an LLP shall instead apply its own legal requirements and consider whether disclosure of a departure from FRS 102 is required.

**LLP consolidated financial statements**

A4.47 When LLPs prepare consolidated financial statements, whether mandatory or voluntary, there will also be differences between company law and the similar requirements applicable to LLPs. If following the requirements of FRS 102 would lead to a conflict with applicable legislation, an LLP shall instead apply its own legal requirements and consider whether disclosure of a departure from FRS 102 is required.
Amendments to Appendix VI: Republic of Ireland (RoI) legal references

Appendix VI: *Republic of Ireland (RoI) legal references* is deleted and will be updated as appropriate for both the Companies Act 2014 and the Irish legislation implementing the EU Accounting Directive once the latter has been made. This will be included in the next edition of FRS 102.
Approval by the FRC

Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Small entities and other minor amendments was approved for issue by the Board of the Financial Reporting Council on 1 July 2015, following its consideration of the Accounting Council’s Advice.
The Accounting Council’s Advice to the FRC to issue Amendments to FRS 102 – Small entities and other minor amendments

Introduction

1 This report provides an overview of the main issues that have been considered by the Accounting Council in advising the Financial Reporting Council (FRC) to issue Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Small entities and other minor amendments incorporating the Council’s advice following the Consultation Document Accounting standards for small entities – Implementation of the EU Accounting Directive, FRED 59 Draft Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Small entities and other minor amendments and FRED 61 Draft amendments to FRS 102 – Share-based payment arrangements with cash alternatives.

2 The FRC, in accordance with the Statutory Auditors (Amendment of Companies Act 2006 and Delegation of Functions etc) Order 2012 (SI 2012/1741), is a prescribed body for issuing accounting standards in the UK. The Foreword to Accounting Standards sets out the application of accounting standards in the Republic of Ireland.

3 In accordance with the FRC Codes and Standards: procedures, any proposal to issue, amend or withdraw a code or standard is put to the FRC Board with the full advice of the relevant Councils and/or the Codes & Standards Committee. Ordinarily, the FRC Board will only reject the advice put to it where:

   (a) it is apparent that a significant group of stakeholders has not been adequately consulted;
   (b) the necessary assessment of the impact of the proposal has not been completed, including an analysis of costs and benefits;
   (c) insufficient consideration has been given to the timing or cost of implementation; or
   (d) the cumulative impact of a number of proposals would make the adoption of an otherwise satisfactory proposal inappropriate.

4 The FRC has established the Accounting Council as the relevant Council to assist it in the setting of accounting standards.

Advice

5 The Accounting Council is advising the FRC to issue Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Small entities and other minor amendments.

6 The Accounting Council advises that these proposals will maintain consistency of accounting standards with company law and will improve the financial reporting by small entities by, for example, requiring the recognition of various financial instruments that the Financial Reporting Standard for Smaller Entities (effective January 2015) (FRSSE) does not currently require.

7 The Accounting Council’s Advice to the FRC to issue FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland was set out in the standard. The Accounting Council’s Advice to the FRC in respect of these amendments will be included in the revised FRS 102.
Background

8 The new EU Accounting Directive (Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013) is being implemented in the UK and Republic of Ireland. In doing so there are changes to company law to reflect new requirements and, where considered appropriate, to take advantage of new options that are available. Accounting standards are developed within the context set by company law; when company law changes, amendments may also be required to accounting standards.

9 In September 2014, the FRC issued a Consultation Document Accounting standards for small entities – Implementation of the EU Accounting Directive2 (the Consultation Document), outlining its proposal that small entities will apply FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. It was proposed that a new section would be inserted into FRS 102 setting out the presentation and disclosure requirements applicable to small entities, which would be based on the new legal provisions, and as a consequence the FRSSE would be withdrawn. A small number of other amendments to FRS 102 would also be necessary to maintain consistency with company law. The Accounting Council considered the responses to the Consultation Document in developing FRED 59. It has also considered the responses to FRED 59, which was issued in February 2015, in developing its advice on these amendments.

10 In addition, in April 2015 the FRC issued FRED 61 to address an implementation issue in relation to FRS 102. The responses to FRED 61 have also been considered in developing this advice.

Objective

11 In developing its advice to the FRC, the Accounting Council was guided by the overriding objective to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users' information needs.

12 In meeting this objective, the FRC aims to provide succinct financial reporting standards that:

(a) have consistency with international accounting standards through the application of an IFRS-based solution unless an alternative clearly better meets the overriding objective;

(b) reflect up-to-date thinking and developments in the way entities operate and the transactions they undertake;

(c) balance consistent principles for accounting by all UK and Republic of Ireland entities with practical solutions, based on size, complexity, public interest and users' information needs;

(d) promote efficiency within groups; and

(e) are cost-effective to apply.

Small entities regime

13 In the Consultation Document, the FRC proposed that the FRSSE should be withdrawn and that, for small entities ineligible for the micro-entities regime, it should be replaced with a new Section 1A Small Entities within FRS 102. It was proposed that Section 1A would set out the presentation and disclosure requirements applicable to small entities, whilst the recognition and measurement requirements of the remainder of FRS 102 would apply.

2 Available on the FRC website (www.frc.org.uk).

66 Amendments to FRS 102: Small entities and other minor amendments (July 2015)
This proposal was supported by the majority of respondents. In particular, respondents supported the proposals that:

(a) the FRSSE should be withdrawn (see FRED 60 Draft amendments to FRS 100 and FRS 101);

(b) Section 1A should apply to all entities (that are required to prepare financial statements that present a true and fair view) meeting the relevant criteria and not just companies; and

(c) small entities should apply the same recognition and measurement criteria as other entities applying FRS 102.

14 FRED 59 set out these proposals in more detail.

15 The Accounting Council notes that, whilst the financial statements of a small company must give a true and fair view, the new legal framework for small companies restricts the specific disclosures that may be required of small companies. As these restrictions do not apply to entities that are not companies, the Accounting Council considered whether to have two small entities regimes, one applying to companies and one to other entities. As set out in the Consultation Document and FRED 59, the Accounting Council advises that it may be confusing to have two different sets of presentation and disclosure requirements for small entities, depending on legal form, particularly when the overall objective of the financial statements is the same (that they give a true and fair view), and therefore Section 1A should apply to all entities meeting the relevant criteria.

16 Eligibility for the small companies regime is set out in company law. The Accounting Council advises that Section 1A should apply to companies eligible for the small companies regime, LLPs eligible for the small LLPs regime and any other entity that would have met the criteria for the small companies regime had they been companies. This is broadly the same as the scope of the FRSSE. At the time of giving this advice the Accounting Council notes that different thresholds apply to the small companies regime and the small LLPs regime and entities will need to take care to ensure they are eligible to apply Section 1A.

**Presentation and disclosure**

17 A key feature of the new small companies regime set out in the new Accounting Directive is that it specifies the maximum mandatory disclosures to be included in a small company’s financial statements, which may not be added to. However, the financial statements of a small company must still give a true and fair view of the financial performance and financial position of the entity; this has been emphasised in Section 1A. The directors of a company will need to consider whether additional disclosures are necessary to give a true and fair view and, if so, provide those additional disclosures.

18 The Accounting Council advises that, as the disclosures required by FRS 102 of larger entities are those that are usually considered necessary (but not necessarily sufficient) to give a true and fair view, a small entity should be encouraged to consider all of these disclosures in order to determine the additional disclosures necessary in its own circumstances.

19 In addition, the Accounting Council considers that it will be helpful to small entities applying FRS 102 for the disclosures required by law to be included and cross-referenced to the same or similar disclosures elsewhere in FRS 102. This has been set out in Appendix C to Section 1A, where the drafting of the disclosures is as close as possible to the company law requirements, with a note of the source of the legal requirement, and an indication of which paragraphs of FRS 102 address similar requirements.
There are a small number of specific disclosures that the Accounting Council considers will be particularly useful to users of the financial statements of a small entity, including a statement of compliance with FRS 102 and a note of dividends declared and paid or payable. The Accounting Council advises specifically encouraging small entities to provide these disclosures.

Another feature of the small companies regime is that additional ‘statements’ may not be required of small companies. This includes a statement of comprehensive income, a statement of changes in equity and the cash flow statement. Section 1A makes it clear that such statements are not required of small entities, but the Accounting Council considers that a statement of comprehensive income and a statement of changes in equity (or statement of income and retained earnings) will be useful to users of the financial statements of a small entity in explaining the financial performance for the reporting period and the effect that this has had on financial position. Therefore the Accounting Council advises that a small entity is encouraged to provide these statements.

The Accounting Council notes that, although the FRSSE encouraged the presentation of a cash flow statement by small entities, FRS 1 (Revised 1996) Cash flow statements simply exempted small entities from presenting a cash flow statement on the basis that it was not required by company law for a small company. The Accounting Council advises retaining the exemption from FRS 1. As a result, a small entity choosing to apply ‘full’ FRS 102 is not required to present a cash flow statement.

Recognition and measurement

The Accounting Council advises that small entities should follow the recognition and measurement requirements of FRS 102. This will improve financial reporting by small entities by, for example, requiring the recognition of various financial instruments that the FRSSE does not currently require, such as derivatives like interest rate swaps and forward foreign currency contracts. Almost all respondents to FRED 59 agreed with this; those that did not generally suggested that changes should be made to FRS 102 that would apply to all entities. These suggestions will be considered as part of the triennial review of FRS 102.

In FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime the Accounting Council has considered and applied a set of principles for simplifying the recognition and measurement requirements for micro-entities. For the larger small entities within the scope of FRS 102 the Accounting Council advises that the principle it has applied is that there should not be recognition and measurement differences from the requirements applicable to larger entities. This reinstates the principle of consistency in accounting policies between those entities that are smaller and those that are larger that applied when the FRSSE was originally developed.

A small number of additional transitional provisions have been provided for small entities applying FRS 102 for the first time for an accounting period that commences before 1 January 2017 (see paragraphs 42 to 44).

Other matters relating to the small entities regime

Some respondents to FRED 59 noted that Section 1A did not address situations where a small entity voluntarily chooses to prepare consolidated financial statements. The Accounting Council advises that this is addressed in Section 1A.

Company law and the new Accounting Directive restrict the disclosures that can be required of small companies in relation to related party transactions. In particular, disclosure can only be required of transactions not conducted under normal market conditions. Respondents noted that it could be burdensome for a small entity to identify
those related party transactions that were not conducted under normal market conditions, because a significant degree of judgement would be involved. Instead, disclosure of all transactions with the specified related parties would meet the legal disclosure requirement. The Accounting Council notes that the Accounting Regulatory Committee reached a conclusion in 2007 that disclosing all related party transactions would comply with the requirement to disclose those not conducted under normal market conditions (as previously set out in paragraph 36 of Appendix IV to FRS 8 Related Party Disclosures). Therefore it advises including guidance in Appendix C to Section 1A that notes that although disclosure is only required of material transactions with the specified related parties that have not been concluded under normal market conditions, small entities disclosing all transactions with such related parties would still be compliant with company law.

**True and fair view**

28 In Section 1A the drafting of various requirements is as close as possible to the company law requirements, reflecting the need for the financial statements of a small entity to give a true and fair view. The Accounting Council noted that Section 3 Financial Statement Presentation expressed some of the same requirements in a different way, and advises that Section 3 is amended to more closely reflect the requirements of company law. These changes are not considered to have any substantive effect as ‘true and fair’ and ‘presents fairly’ are synonymous, being different articulations of the same concept, as confirmed by legal opinion.

**Other minor amendments**

29 A small number of other amendments were also necessary to maintain consistency between FRS 102 and company law. This was not a comprehensive review of the requirements of FRS 102.

30 The amendments include:

(a) Greater flexibility in relation to the format of the profit and loss account and balance sheet, which will allow entities choosing this option to adopt a presentation that is closer to that applied by entities preparing ‘IAS accounts’. The Accounting Council advises that these new options available in company law should be available to entities applying FRS 102, but that a framework should be provided in FRS 102 to assist entities applying it.

(b) Revisions to certain requirements relating to financial instruments that are, or may be, measured at fair value. The new Accounting Directive permits measurement of certain financial instruments at fair value where it is in accordance with EU-adopted IFRS; previously this was restricted to IFRS endorsed by 5 September 2006. The consequences of this change, as well as any interaction with IFRS 9 Financial Instruments that was issued in July 2014 and which an entity may make an accounting policy choice to apply under paragraphs 11.2(c) and 12.2(c), have been considered. As a result, the Accounting Council advises that some amendments are made for compliance with company law, although these are only likely to affect a minority of entities applying FRS 102. In addition, Appendix IV: Note on legal requirements advises that entities applying IFRS 9 will need to consider an override of the Regulations for the purposes of giving a true and fair view, in order to recognise certain fair value gains or losses in other comprehensive income.

(c) Revising the ‘seriously prejudicial’ exemption that applies, in extremely rare circumstances, to disclosure of provisions and contingencies. The Accounting Council notes that company law requires certain disclosures in relation to provisions and contingencies, and that it advises consistency of disclosure by entities that are companies and those that are not. Therefore the ‘seriously prejudicial’ exemption has
been redrafted to remind companies of the legal disclosure requirements and ensure that equivalent disclosures are provided by all entities.

(d) Revising the maximum period over which goodwill and other intangible assets may be amortised to 10 years, in those exceptional cases where an entity is unable to make a reliable estimate of the asset's useful economic life. The Accounting Council advises that, as this only applies in exceptional cases, the change in the maximum period so soon after it was introduced in the first edition of FRS 102 should have a limited impact in practice.

(e) Prohibiting the reversal of impairment losses for goodwill.

(f) Clarifying that a public benefit entity may apply merger accounting to an entity combination that is a merger provided that it is permitted by the statutory framework under which it reports. The new Accounting Directive only permits companies to apply merger accounting for group reconstructions and the Accounting Council advises that this amendment is made to ensure merger accounting is not applied by public benefit entities that are companies where not permitted in law. Some respondents to FRED 59 suggested that FRS 102 should continue to require the use of merger accounting by all public benefit entity combinations meeting the definition and criteria of a merger, through requiring the use of the true and fair override. The Accounting Council noted that ‘true mergers’ (other than those that might be considered group reconstructions) are not likely to be common. However, Appendix IV: Note on legal requirements notes that an individual public benefit entity may apply the true and fair override if it considers it appropriate to its circumstances, and provides the corresponding disclosures.

(g) Amending the definitions of a ‘related party’ and ‘turnover’ in accordance with changes in company law.

(h) Clarifying in paragraph 1.12(c) that, because company law requires certain disclosures relating to financial instruments, a qualifying entity choosing to provide reduced disclosures will not be exempt from all the disclosure requirements of Sections 11 and 12. This was previously addressed in paragraph A4.10, which notes that preparers need to have regard to the requirements of company law in addition to accounting standards.

31 The Accounting Council noted that in relation to small entities, Section 1A of FRS 102 will include all the disclosure requirements set out in company law, but that FRS 102 does not presently include all the equivalent disclosures for larger entities. The majority of respondents to the Consultation Document agreed that the current approach for larger entities should not be amended because this would increase the length of FRS 102 and make it potentially less user-friendly, especially as a significant number of larger entities applying FRS 102 are not companies and the additional disclosure requirements would not be applicable to them. Some respondents suggested including any additional disclosures as an appendix, but noted that this could be considered as part of the triennial review of FRS 102. The Accounting Council advises not amending FRS 102 for additional disclosures for larger entities at present, but notes that the suggestion of an appendix could be reconsidered at a later date.

32 The Accounting Council noted that in some areas the amendments made to the Regulations and the Small Companies Regulations make new accounting options available alongside existing requirements. In these areas it is not necessary to amend FRS 102, as it already complies with the existing requirements. The Accounting Council considered the following two areas:

(a) Equity method in individual accounts – paragraph 29A of the Regulations and the Small Companies Regulations permits participating interests to be accounted for in the financial statements of an investor using the equity method. FRS 102 already includes a number of options for accounting for such investments (see
paragraph 9.26) and the Accounting Council does not advise introducing this option at present.

(b) Contingent consideration in a business combination – an amendment to paragraph 36 of the Regulations and the Small Companies Regulations would permit contingent consideration in a business combination to be measured and remeasured at fair value, which would be consistent with EU-adopted IFRS (IFRS 3 *Business Combinations* (revised 2008)). The Accounting Council notes that the requirements of FRS 102 are based on IFRS 3 (issued 2004) and does not advise amending the accounting for contingent consideration outside the context of a wider review of the accounting for business combinations. Therefore an amendment to accounting for contingent consideration in a business combination is not proposed at present.

33 In addition, the following amendments are advised:

(a) Two of the examples following paragraph 11.13 are being amended for clarity.

(b) The reduced disclosures for subsidiaries, set out in paragraphs 1.8 to 1.13, have been amended in relation to financial instruments measured at fair value through profit or loss to ensure they are consistent with company law disclosure requirements.

**Residents’ Management Companies**

34 In considering the feedback received from the FRC’s previous consultations, the Accounting Council noted that no clear consensus existed amongst respondents on the appropriate basis of accounting in the statutory financial statements of residents’ management companies\(^3\) where service charge monies are held on trust in accordance with section 42 of the Landlord and Tenant Act 1987. However, there was general agreement that no change should be made to FRS 102, or any other relevant financial reporting standard (including FRS 105), to address such a narrow and sector-specific issue.

35 The Accounting Council considered this issue carefully. It assessed the case for further intervention by reference to the FRC’s published *Principles for the development of Codes, Standards and Guidance*\(^4\) and, in particular, the extent to which the anticipated benefits from any changes to current practices would outweigh the costs incurred by the entities involved. It agreed with respondents that this matter does not merit a change in accounting standards, and therefore advises that no changes are made to FRS 102 (or FRS 105) that are specific to residents’ management companies.

**Share-based payment arrangements with cash alternatives**

36 After the introduction of FRS 102, it was brought to the FRC’s attention that the accounting it required for share-based payment transactions that give the reporting entity an option to settle in cash or equity could result in the recognition of a liability even though the conditions for the recognition of a liability under the standard were not clearly met. The Accounting Council notes that the requirement to account for such transactions as cash-settled is more onerous than the requirements under EU-adopted IFRS, under which they would generally be treated as equity-settled, since it requires the measurement of the obligation at fair value at each reporting date.

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\(^3\) An organisation which may be referred to in the lease, which is responsible for the provision of services, and manages and arranges maintenance of the property, but which does not necessarily have any legal interest in the property.

\(^4\) This can be found on the FRC’s website at www.frc.org.uk/FRC-Document/FRC/About-the-FRC/Principles-for-the-development-of-Codes.pdf.
37 The Accounting Council therefore advises that FRS 102 should be amended with the result that such transactions are accounted for as equity-settled share-based payment arrangements unless the option to settle in equity has no commercial substance or the entity has created a valid expectation that it would settle in cash.

38 In some schemes the recipient may have an option to request settlement in cash or equity instruments. If an entity cannot avoid settling in cash should the recipient request it, FRS 102 requires the entity to account for the transaction as cash-settled by measuring the goods or services acquired at the fair value of the liability unless the cash settlement option has no commercial substance. The Accounting Council notes that this requirement is different to EU-adopted IFRS which requires the separate recognition of debt and equity components. The Accounting Council continues to believe that the simpler requirements of FRS 102 provide a practical and proportionate solution for those applying the standard and notes that this is generally consistent with the requirements in the IFRS for SMEs. In FRED 61 the exemption from cash-settlement accounting when the option to settle in cash has no commercial substance was omitted and the Accounting Council advises that this be retained in FRS 102.

39 The FRC had consulted on additional amendments that would have resulted in cash-settlement treatment for all share-based payment arrangements with terms that could result in the transfer of cash on the occurrence of an event outside the control of either party to the transaction. Some respondents commented that this could result in the recognition of a liability in situations when the probability of settlement in cash is remote. They also noted that the accounting for such transactions is under consideration by the IASB and its Interpretation Committee who have so far been unable to reach a conclusion. For the reasons noted by these respondents, the Accounting Council advises that FRS 102 should not be amended in this regard, but the need for further amendment be reconsidered as part of the next review of the standard.

40 The FRC did not propose any additional transitional exemptions for entities that had chosen to early adopt FRS 102 and had granted awards under share-based payment arrangements that would be affected by the changes in FRED 61. The majority of respondents agreed that there was no need for additional transitional exemptions as such instances would be very rare and early adopters would have had the benefit of the transitional exemption for awards granted before the date of transition.

41 However, some respondents did identify an issue with the transitional exemption where greater clarity is needed. The transitional exemption in paragraph 35.10(b) of FRS 102 refers only to equity instruments granted before the date of transition. Some respondents noted that it was not clear if this reference also applies to the equity components of instruments that had been treated as compound instruments under FRS 20 or IFRS 2. The Accounting Council notes that the transitional exemption was intended to alleviate the costs of transition in respect of equity-settled share-based payment arrangements for companies that had previously applied the FRSSE, where such arrangements were not recognised, and for companies that had previously applied FRS 20 / IFRS 2 should FRS 102 require different accounting. As FRS 20 / IFRS 2 can result in compound instruments being partly accounted for as equity-settled and partly as cash-settled, the Accounting Council agrees it should be clarified that the reference to equity instruments includes the equity component of compound instruments accounted for in accordance with FRS 20 / IFRS 2. The Accounting Council also notes that there is no need for transitional exemptions to be added for liabilities not settled at the transition date, including those arising from arrangements previously treated as compound instruments, because the liability will not continue to be measured in the same way under FRS 102, being the fair value of the liability.

72 Amendments to FRS 102: Small entities and other minor amendments (July 2015)
Transitional provisions for small entities

42 The Accounting Council considered whether transitional provisions should be provided for small entities applying FRS 102 for the first time. The Accounting Council noted that FRS 102 already includes Section 35 *Transition to this FRS*, which applies to any first-time adopter of FRS 102, which has a significant number of optional exemptions from full retrospective application of FRS 102 that are designed to reduce the burden of first-time adoption. This is particularly where it may be difficult to restate historical transactions on the basis otherwise required by FRS 102 because the relevant data would not have been obtained at the time the transaction occurred.

43 The Accounting Council advised in FRED 59 that no further transitional provisions were necessary for small entities that are not already provided for. Although the majority of respondents to FRED 59 agreed with this assessment, a small number of respondents suggested that additional transitional provisions should be made available. These suggestions related to areas where additional burdens may be incurred in applying FRS 102 for the first time because an entity’s transition date to FRS 102 occurred before these amendments were finalised.

44 The Accounting Council considered these suggestions carefully and agreed to provide additional transitional exemptions for all small entities applying FRS 102 for the first time for an accounting period that commences before 1 January 2017. These relate to equity-settled share-based payment arrangements, financial instruments measured at fair value and financing transactions with related parties. On first-time application they provide relief from the full application of FRS 102 in the comparative period.

Effective date

45 The Accounting Council advises that, other than the replacement of paragraph 26.15 with new paragraphs 26.15 to 26.15B, these amendments should be effective for accounting periods beginning on or after 1 January 2016, with early application:

- (a) permitted for accounting periods beginning on or after 1 January 2015 provided that *The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015* (SI 2015/980) are applied from the same date; and

- (b) required if an entity applies *The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015* (SI 2015/980) to a reporting period beginning before 1 January 2016.

46 The Accounting Council advises that the replacement of paragraph 26.15 with new paragraphs 26.15 to 26.15B shall be effective for accounting periods beginning on or after 1 January 2015, with early application permitted in line with FRS 102 generally.

Approval of this Advice

47 This advice to the FRC was approved by the Accounting Council on 16 June 2015.
July 2015

Amendments to FRS 102
The Financial Reporting Standard applicable in the UK and Republic of Ireland
Small entities and other minor amendments