



May 2019

Impact Assessment and Feedback Statement

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

Multi-employer defined benefit plans

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Overview

- (i) In May 2019, FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* was amended by *Amendments to FRS 102 – Multi-employer defined benefit plans*. This Impact Assessment and Feedback Statement accompanies those amendments, which were in relation to multi-employer defined benefit plans and the transition from defined contribution accounting to defined benefit accounting.
- (ii) The Impact Assessment and Feedback Statement:
 - (a) sets out the Impact Assessment for these amendments, after taking account of respondents' comments on the Consultation stage impact assessment; and
 - (b) summarises the 18 responses received to FRED 71 *Draft amendments to FRS 102 – Multi-employer defined benefit plans* and the FRC's response to them.

Impact Assessment

Introduction

- 1 The Financial Reporting Council (FRC) is committed to a proportionate approach to the use of its powers, making effective use of impact assessments and having regard to the impact of regulation on small enterprises.

Amendments to FRS 102

- 2 These amendments will only affect entities that participate in multi-employer defined benefit plans, for which sufficient information to apply defined benefit accounting has not been available, but now becomes available.
- 3 These amendments do not affect the accounting for the defined benefit plan before or after sufficient information becomes available, which is already clear in FRS 102, but only specify the accounting at the date of transition to defined benefit accounting.
- 4 No new information is required as a result of these proposals, which specify where the difference arising on transition from defined contribution accounting to defined benefit accounting shall be recognised, but do not change the underlying measurement requirements of FRS 102. Although entities will be obtaining new information in order to apply defined benefit accounting for the first time, this is not a cost of these proposals.
- 5 The benefits of these proposals include:
 - (a) consistent information for users of the financial statements, given that when sufficient information becomes available in relation to a defined benefit plan it is likely to apply to all employers participating in that plan;
 - (b) clarity over the requirements which may save time in the production of the financial statements; and
 - (c) by not having to restate comparatives, the costs of obtaining information about prior periods are avoided.

Conclusion

- 6 Overall, the FRC believes that the amendments to FRS 102 will have a positive impact on the relevance and consistency of reporting by entities with multi-employer defined benefit plans and do not, in themselves, lead to any significant additional costs.

Feedback Statement

- 7 The purpose of this Feedback Statement is to summarise the comments received in response to FRED 71 *Draft amendments to FRS 102 – Multi-employer defined benefit plans*. FRED 71 was issued in January 2019 and the comment period closed on 31 March 2019.
- 8 The table below shows the number of respondents and analyses them by category. Two of the responses to FRED 71 were marked as confidential and therefore have not been published on the FRC website.

Table 1: Respondents by category

	No. of respondents
Accountancy firms	7
Accounting professional bodies	5
SORP-making bodies	2
Preparers	2
Other	2
	<hr/>
	18
	<hr/> <hr/>

- 9 FRED 71 posed two questions, and the feedback and FRC response to them are summarised below.

Question 1

Do you agree with the proposed amendments to FRS 102? If not, why not?

Table 2: Respondents' views on Question 1

	No. of respondents
Agreed	11
Agreed with reservations	4
Disagreed	2
	<hr/>
	17
Did not comment	1
	<hr/>
	18
	<hr/> <hr/>

- 10 The majority of respondents agreed with the proposals. Many noted that it was a pragmatic solution to an issue on which there are clearly a variety of opinions, and that it is important to provide a clear solution to this issue so that there is consistency in accounting.
- 11 Those respondents that agreed with reservations made the following points:
- (a) there are more compelling technical arguments for recognising the adjusting entry elsewhere, particularly in profit or loss; and
 - (b) the relevant date should not be the date for which sufficient information becomes available, but the end of the period in which that occurs because additional work would be needed for a mid-year remeasurement.

- 12 Those respondents that disagreed with proposals considered that the change should be recognised in opening reserves, either as a change in accounting policy or as a matter of accounting policy choice for public benefit entities.
- 13 Respondents raised some other matters, such as suggestions for improved drafting and improving the clarity of certain related issues (eg confirmation that the relevant date need not be at the start of a reporting period and the interaction with changes in benefits that might occur at a similar time).

FRC response

- 14 After considering all the comments made, and the fact that a significant majority of respondents supported the proposals, the FRC continues to believe that recognising the difference in other comprehensive income is an appropriate pragmatic solution.
- 15 A number of changes have been made in finalising the amendments in response to the comments made.

Question 2

In relation to the Consultation stage impact assessment, do you have any comments on the costs and benefits identified? Please provide evidence to support your views.

Table 3: Respondents' views on Question 2

	No. of respondents
Agreed	10
Disagreed	1
Did not comment ¹	7
	18

- 16 Of those respondents commenting, almost all agreed with the Consultation stage impact assessment, ie that consistency of reporting between employers and clarity over the requirements were beneficial, and that no new information is required as a result of the proposals themselves. Some respondents noted the costs involved in obtaining sufficient information to apply defined benefit accounting, but this is not a cost of these proposals.

FRC response

- 17 The costs and benefits of these amendments have been included in the Impact Assessment. Overall, the amendments to FRS 102 will have a positive impact on the relevance and consistency of reporting by entities with multi-employer defined benefit plans.

¹ Includes those respondents that stated that they had no comments in relation to Question 2 and those that did not address Question 2.



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