



December 2017

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

Triennial review 2017

Incremental improvements and clarifications

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Amendments to FRS 102

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Republic of Ireland*

Triennial review 2017

Incremental improvements and clarifications

Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Triennial review 2017 – Incremental improvements and clarifications amends accounting standards. 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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Overview

Amendments to FRS 102 – Triennial review 2017 – Incremental improvements and clarifications

- (i) When FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* was issued in March 2013 the FRC indicated that it would be reviewed every three years. The first triennial review is now complete and this document sets out incremental improvements and clarifications to FRS 102 and amendments to the other UK and Ireland accounting standards.
- (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) These amendments have been developed in response to stakeholder feedback and therefore address many of the implementation issues reported to the FRC. As a result of these amendments, FRS 102 will be clearer and easier to use, some accounting policies will be simplified and additional choices and exemptions will be introduced. The overall impact will be more cost-effective financial reporting with no loss of significant information to users of the financial statements.
- (iv) In addition to responding to stakeholder feedback on the implementation of FRS 102, these amendments have been developed after considering recent improvements in financial reporting. The proposals aim to balance improvements in the quality of financial reporting with maintaining stability, improve the usability of the standard and improve the cost-effectiveness of the standard.
- (v) The majority of these amendments are editorial in nature and/or are intended to merely clarify rather than change the accounting treatment. The principal amendments to have an impact on financial statements are:
 - (a) The removal of undue cost or effort exemptions which, in some cases, are replaced by accounting policy options. In particular, in order to address implementation issues, an accounting policy choice is introduced for entities that rent investment property to another group entity, whereby they can choose to measure the investment property either at cost (less depreciation and impairment) or at fair value.
 - (b) The introduction of a description of a basic financial instrument to support the detailed conditions for classification as basic. Making this change will result in a relatively small number of financial instruments, which breach the detailed conditions for classification as basic, now being considered to be basic and measured at amortised cost. In these cases measurement at amortised cost will provide relevant information for users of the financial statements.
 - (c) For small entities, a more proportionate accounting solution for a loan from a person within a director's group of close family members that includes at least one shareholder in the entity, which will permit the loan to be initially measured at transaction price rather than present value.
 - (d) Entities will be required to recognise fewer intangible assets acquired in a business combination separately from goodwill. This will reduce the costs of compliance, whilst still providing users with useful information about the business combination. Entities may choose to separately recognise additional intangible assets acquired in a business combination if this provides useful information to the entity and the users of its financial statements. When an entity chooses to recognise such intangible assets separately from goodwill, it shall apply that policy consistently to the relevant class of intangible assets.

- (e) The principle included in the financial institution definition has been amended to remove references to 'generate wealth' and 'manage risk'. This change should help to reduce the interpretational difficulties in relation to implementing these concepts, and should reduce the number of entities meeting the definition of a financial institution. Stockbrokers have also been removed from the definition of a financial institution.
- (vi) These amendments also include those relating to gift aid payments by subsidiaries to their charitable parents. They allow the tax effects of such payments to be taken into account at the reporting date when it is probable the gift aid payment will be made in the following nine months.
- (vii) The principal effective date for these amendments is accounting periods beginning on or after 1 January 2019, with early application permitted provided all amendments are applied at the same time. The only exceptions to this are the amendments relating to directors' loans and the tax effects of gift aid payments, for which early application is permitted separately. Limited transitional provisions are also available.
- (viii) However, changes to the disclosure requirements for small entities in the Republic of Ireland and for micro-entities in the UK and the Republic of Ireland (as set out in FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*) are applicable to accounting periods beginning on or after 1 January 2017; the legal requirements for micro-entities in the UK apply to accounting periods beginning on or after 1 January 2016.

Organisation of this document

- (ix) This document is organised as follows:
 - (a) the amendments to FRS 102 are set out by section; and
 - (b) amendments to other FRSs are grouped together by standard.

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

Triennial review 2017 – Incremental improvements and clarifications

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 1.2 is amended as follows:
 - 1.2 The requirements of this FRS are applicable to **public benefit entities** and other entities, not just to companies. However, those paragraph numbers prefixed with 'PBE' shall only be applied by public benefit entities, and shall not be applied directly, or by analogy, by entities that are not public benefit entities, other than, where specifically directed, entities within a **public benefit entity group**. A public benefit entity shall apply all paragraphs prefixed with 'PBE' to the extent that they are relevant and, for those public benefit entities within the scope of a **Statement of Recommended Practice (SORP)**, their use is permitted by the applicable SORP.
- 3 In paragraph 1.6, the term 'FRS 103' is now shown in bold type, and the paragraph is amended as follows:
 - 1.6 An entity shall apply **FRS 103** ~~Insurance Contracts~~ to:
 - (a) **insurance contracts** (including **reinsurance contracts**) that it issues and reinsurance contracts that it holds; and
 - (b) **financial instruments** with a **discretionary participation feature** that it issues.
- 4 Paragraph 1.7 is amended as follows:
 - 1.7 When applying IAS 33, IFRS 8 and IFRS 6 *Exploration for and Evaluation of Mineral Resources* (see paragraphs 34.11 to 34.11C), references made to other IFRSs within those standards shall be taken to be references to the relevant section or paragraph in this FRS.
- 5 The subheading (underlined) and paragraph 1.7A are inserted as follows:

Application of Statements of Recommended Practice (SORPs)

- 1.7A Statements of Recommended Practice (SORPs) set out the circumstances in which they apply. When a SORP applies, an entity shall provide the disclosures required by paragraph 6 of FRS 100.
- 6 Paragraph 1.8 is amended as follows:
 - 1.8 A **qualifying entity** (for the purposes of this FRS) which is not a **financial institution** may take advantage in its individual financial statements of the disclosure exemptions set out in paragraph 1.12. ~~In relation to paragraph 1.12(c) for **financial liabilities** that are held at **fair value** that are either part of a trading portfolio or are **derivatives**, the qualifying entity can take advantage of those exemptions. Where the qualifying entity has financial instruments held at fair value subject to the requirements of paragraph 36(4) of Schedule 1 to the **Regulations**, it must apply the disclosure requirements of Section 11 Basic Financial Instruments to those financial instruments held at fair value.~~
- 7 In paragraph 1.12(d)(i), the term 'share-based payment arrangement' is now shown in bold type and the paragraph is amended as follows:
 - 1.12 A qualifying entity...

- (a) ~~The requirements of Section 4 *Statement of Financial Position* paragraph 4.12(a)(iv). [Deleted]~~
- (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), 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 12.29A provided ~~ing~~ disclosures equivalent to those required by this FRS are included in the consolidated financial statements of the group in which the entity is consolidated.
- (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) ...
- (e) The requirement of ~~Section 33 *Related Party Disclosures*~~ paragraph 33.7.
- 8 In paragraph 1.14A, the first time the terms 'financial liability' and 'fair value' are used, and the terms 'asset', 'liability' and 'date of transition', are now shown in bold type.
- 9 In paragraph 1.14B(b), the terms 'reporting date', 'present value' and 'cash flows' are now shown in bold type and the rest of paragraph 1.14B is amended as follows:
- 1.14B This FRS permits ...
- In a fair value hedge the cumulative **hedging gain or loss** on the hedged item from the date hedge accounting commenced, shall be ~~recorded~~ recognised in retained earnings (or if appropriate, another category of **equity**). In a cash flow hedge and net investment hedge, the lower of the following (in absolute amounts) shall be ~~recorded~~ recognised in equity (in respect of cash flow hedges in the cash flow hedge reserve):
- (a) ...
- 10 Paragraph 1.15A is deleted as follows:
- 1.15A ~~A small entity, as an exception to paragraph 11.13, may measure a basic financial liability that is a loan from a director who is a natural person and a shareholder in the small entity (or a close member of the family of that person) initially at transaction price. Subsequently, for the same financial liability, a small entity is also exempt from the final sentence of paragraph 11.14(a). [Deleted]~~
- 11 In paragraph 1.16, the term 'retirement benefit plans' is now shown in bold type.
- 12 Paragraph 1.18 is inserted as follows:
- 1.18 In December 2017 amendments were made to this FRS as a result of the triennial review 2017. An entity shall apply the amendments to this FRS as set out in the *Triennial review 2017 amendments*, other than the amendments for small entities in the Republic of Ireland, for accounting periods beginning on or after 1 January 2019. The amendments to Section 1A for small entities in the Republic of Ireland are effective for accounting periods beginning on or after 1 January 2017.
- Early application is permitted provided that all the amendments to this FRS are applied at the same time, except that early application of each, or any, of the following amendments is permitted:
- (a) paragraphs 11.13A(a), 11.13B, 11.13C and 11.14(a)(i);

- (b) paragraphs 29.14A and 29.22A; and
- (c) the amendments to Section 1A for small entities in the Republic of Ireland, provided the *Companies (Accounting) Act 2017* is applied from the same date.

If an entity applies the *Triennial review 2017 amendments*, other than the amendments for small entities in the Republic of Ireland, before 1 January 2019 it shall disclose that fact, unless it is a small entity applying Section 1A *Small Entities*, in which case it is encouraged to disclose that fact.

If a small entity in the Republic of Ireland applies the amendments to Section 1A before 1 January 2017, in addition to the disclosure required by paragraph 1AD.3, it is encouraged to disclose that fact.

13 Paragraph 1.19 is inserted as follows:

1.19 When an entity first applies the *Triennial review 2017 amendments*, as an exception to **retrospective application**, it:

- (a) may elect to measure an **investment property** rented to another group entity, that is measured on an ongoing basis at cost less accumulated **depreciation** and accumulated **impairment losses**, at its fair value and use that fair value as its **deemed cost** at the **date of transition** for the *Triennial review 2017 amendments*; and
- (b) shall only apply any change to an **accounting policy** arising from the *Triennial review 2017 amendments* to paragraph 18.8 **prospectively** (ie it shall not restate comparative information), and therefore shall not subsume **intangible assets** that previously have been separately recognised within **goodwill**.

Amendments to Section 1A *Small Entities*

- 14 The following paragraphs set out the amendments to Section 1A *Small Entities* (deleted text is struck through, inserted text is underlined).
- 15 In paragraph 1A.2, the terms 'EU-adopted IFRS' and 'FRS 101' are now shown in bold type and the paragraph is amended as follows:
- 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 this FRS 402—excluding Section 1A.
- 16 Two sequentially numbered footnotes are inserted into paragraph 1.4A (subsequent footnotes are renumbered sequentially) as follows:
- 1A.4 This section applies to all small entities applying the small entities regime, whether or not they report under the **Act**^[*footnote1]. Small entities that do not report under the Act shall comply with the requirements of this section, and with the Act and the **Small Companies Regulations**^[*footnote2] (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.
- ^[*footnote1] For Irish small entities reference to the Act shall be replaced with the Companies Act 2014.
- ^[*footnote2] For Irish small entities reference to the Small Companies Regulations shall be replaced with Schedule 3A to the Companies Act 2014.
- 17 A sequentially numbered footnote is inserted into paragraph 1A.5 (subsequent footnotes are renumbered sequentially) as follows:
- 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^[*footnote]).
- ^[*footnote] Irish small entities shall refer to section 289 of the Companies Act 2014.
- 18 The subheading (underlined), paragraph 1A.6A and a sequentially numbered footnote are inserted (subsequent footnotes are renumbered sequentially) as follows:

Statement of compliance

1A.6A The financial statements of a small entity choosing to apply Section 1A of this FRS shall contain on the **statement of financial position**, in a prominent position above the signature, a statement that the financial statements are prepared in accordance with the provisions applicable to companies subject to the small companies regime^[*footnote].

^[*footnote] This is required by section 414(3) of the Act for small entities in the UK and section 324(4A) of the Companies Act 2014 for small entities in the Republic of Ireland. For small LLPs in the UK, section 414(3) of *The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008* (SI 2008/1911) requires a statement that the financial statements are prepared in accordance with the provisions applicable to LLPs subject to the small LLPs regime. Other entities may refer to the small entities regime.

- 19 Paragraph 1A.7 is amended and two sequentially numbered footnotes are inserted (subsequent footnotes are renumbered sequentially) as follows:

1A.7 A small entity is not required to comply with the requirements of paragraphs 3.3^[*footnote1], PBE3.3A, 3.9^[*footnote2], 3.12, 3.13, 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*.

[*footnote1] Irish small entities are required to comply with the requirements of paragraph 3.3.

[*footnote2] If a small entity departs from the principle that it is presumed to be carrying on business as a going concern, it must provide the disclosure required by paragraph 1AC.10 or paragraph 1AD.11, as relevant.

- 20 In paragraph 1A.8, the term 'statement of financial position' is no longer shown in bold type.

- 21 In paragraph 1A.9(a), the term 'total comprehensive income' is now shown in bold type.

- 22 A sequentially numbered footnote is inserted into paragraph 1A.12 (subsequent footnotes are renumbered sequentially) as follows:

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^[*footnote] or Part 1 *General Rules and Formats* of Schedule 1 to the Small LLP Regulations.

[*footnote] Irish small entities shall refer to Part II *General Rules and Formats* of Schedule 3A to the Companies Act 2014.

- 23 A sequentially numbered footnote is inserted into paragraph 1A.14 (subsequent footnotes are renumbered sequentially) as follows:

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^[*footnote] or Part 1 *General Rules and Formats* of Schedule 1 to the Small LLP Regulations.

[*footnote] Irish small entities shall refer to Part II *General Rules and Formats* of Schedule 3A to the Companies Act 2014.

- 24 In paragraph 1A.16, the term 'notes' is now shown in bold type.

- 25 Paragraph 1A.17 is split into two paragraphs and amended as follows:

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 and conditions of the small entity in order to meet the requirement set out in paragraphs 1A.5 and 1A.16.

1A.17A In accordance with paragraph 3.16AB a small entity need not provide a specific disclosure (including those set out in paragraph 1A.18 and Appendix C or Appendix D to this section, as relevant) if the information resulting from that

disclosure is not material, except when required by the Act regardless of materiality.

26 Paragraph 1A.18 is amended as follows:

1A.18 As a minimum, where relevant to its transactions, other events and conditions, a small entity reporting in the UK shall provide the disclosures set out in Appendix C to this section and a small entity reporting in the Republic of Ireland shall provide the disclosures set out in Appendix D to this section.

27 Paragraph 1A.19 is amended as follows:

1A.19 The paragraphs of this FRS that are cross-referenced in Appendixes C and D are also highlighted in those sections by including an * in the left-hand margin.

28 Paragraph 1A.20 is amended as follows:

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 in order to give a true and fair view and meet the requirements of paragraph 1A.5.

29 Three sequentially numbered footnotes are inserted into paragraphs 1A.22(b), (c) and (d) (subsequent footnotes are renumbered sequentially) as follows:

1A.22 (b) is encouraged to provide the disclosures set out in paragraph 9.23^[*footnote1];

(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)^[*footnote2]), 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^[*footnote3].

^[*footnote1] Irish small entities are required to provide certain of these disclosures.

^[*footnote2] Irish small entities shall refer to Schedule 4A to the Companies Act 2014, paragraph 2(1).

^[*footnote3] Irish small entities shall refer to Schedule 4A to, and sections 294, 307 to 309, 317, 320, 321 and 323 of, the Companies Act 2014.

30 Appendix A to Section 1A is amended as follows:

Guidance on adapting the balance sheet formats

This appendix is an integral part of ~~the Standard~~ Section 1A.

31 In paragraph 1AA.1, the terms 'small entity', 'statement of financial position', 'Small Companies Regulations' and 'Small LLP Regulations' are now shown in bold type and two sequentially numbered footnotes are inserted (subsequent footnotes are renumbered sequentially) as follows:

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**^[*footnote1] 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)^[*footnote2]; or

(c) adapt one of the balance sheet formats (see paragraphs 1AA.3 to 1AA.6).

^[*footnote1] Irish small entities shall refer to Part II *General Rules and Formats of Schedule 3A to the Companies Act 2014.*

^[*footnote2] Irish law does not provide for the preparation of abridged statutory financial statements. Consequently, this option to prepare an abridged balance sheet is not available to Irish small entities. This is not the same as abridgement for filing purposes.

32 In paragraph 1AA.2, the terms 'financial statements' and 'notes' are now shown in bold type.

33 In sub-paragraphs 1AA.3(b), 1AA.3(n), 1AA.3(o) and 1AA.3(q), the terms 'profit or loss', 'financial liabilities', 'liabilities', 'assets', 'equity', 'owners' and 'parent' are now shown in bold type and a sequentially numbered footnote is inserted into paragraph 1AA.3 (subsequent footnotes are renumbered sequentially) as follows:

1AA.3 A small entity choosing to apply paragraph 1B(1) of Schedule 1 to the Small Companies Regulations^[*footnote] 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) ...

^[*footnote] Irish small entities shall refer to paragraph 2(2) of Schedule 3A to the Companies Act 2014.

34 A sequentially numbered footnote is inserted into paragraph 1AA.4 (subsequent footnotes are renumbered sequentially) as follows:

1AA.4 A small entity choosing to apply paragraph 1B(1) of Schedule 1 to the Small Companies Regulations^[*footnote] and adapt one of the balance sheet formats shall, shall also disclose, either in the statement of financial position or in the notes, the following sub-classification of the line items presented:

(a) ...

^[*footnote] Irish small entities shall refer to paragraph 2(2) of Schedule 3A to the Companies Act 2014.

35 In paragraph 1AA.5, the term 'financial position' is now shown in bold type.

36 Paragraph 1AA.6 is amended as follows:

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 assets** and **non-current assets**, and **current liabilities** and **non-current liabilities**, as separate classifications in its statement of financial position.

37 Appendix B to Section 1A is amended as follows:

Guidance on adapting the profit and loss formats

This appendix is an integral part of ~~the Standard~~ Section 1A.

38 In paragraph 1AB.1, the terms 'small entity', 'income statement', 'Small Companies Regulations' and 'Small LLP Regulations' are now shown in bold type and two sequentially numbered footnotes are inserted (subsequent footnotes are renumbered sequentially) as follows:

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**^[*footnote1] 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)^[*footnote2], or
- (c) adapt one of the profit and loss account formats (see paragraphs 1AB.3 to 1AB.4).

^[*footnote1] Irish small entities shall refer to Part II *General Rules and Formats* of Schedule 3A to the Companies Act 2014.

^[*footnote2] Irish law does not provide for the preparation of abridged statutory financial statements. Consequently, this option to prepare an abridged profit and loss account is not available to Irish small entities. This is not the same as abridgement for filing purposes.

39 In paragraph 1AB.2, the terms ‘financial statements’, ‘notes’ and ‘turnover’ are now shown in bold type.

40 In paragraph 1AB.3(c), the terms ‘associates’ and ‘jointly controlled entities’ are now shown in bold type and a sequentially numbered footnote is inserted into paragraph 1AB.3 (subsequent footnotes are renumbered sequentially) as follows:

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

- (a) ...

^[*footnote] Irish small entities shall refer to paragraph 2(3) of Schedule 3A to the Companies Act 2014.

41 In paragraph 1AB.3(e), the term ‘other comprehensive income’ is now shown in bold type.

42 In paragraph 1AB.4, the term ‘performance’ is now shown in bold type.

43 Appendix C to Section 1A is amended as follows:

Disclosure requirements for small entities in the UK

This appendix is an integral part of ~~the Standard~~ Section 1A.

This appendix sets out the disclosure requirements for small entities based on the requirements of company law in the UK. 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 (the * against paragraph 6.3(c) refers to a legal requirement in the Republic of Ireland only). In many cases compliance with the similar requirement of FRS 102 will result in compliance with the requirements below, however a*

small entity in the UK must ensure it complies with all the disclosure requirements of this appendix.

44 Paragraph 1AC.1 is amended as follows:

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

45 Paragraph 1AC.3 is amended as follows:

1AC.3 *The accounting policies ...*

Paragraph 8.5 addresses similar requirements for disclosing significant accounting policies. 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.

46 Paragraph 1AC.8 is amended as follows:

1AC.8 *Where the corresponding amount for the immediately preceding financial year reporting period 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))*

...

47 Paragraph 1AC.14 is amended as follows:

1AC.14 *Where 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...

- intangible assets other than goodwill are revalued using the revaluation model set out in paragraphs 18.18B to 18.18H. Paragraph 18.29A(c) addresses a similar disclosure requirement.

48 Paragraph 1AC.15 is amended as follows:

1AC.15 *Where any fixed ...*

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.~~

...

49 In paragraph 1AC.16, the second paragraph is now shown in italic type.

50 Paragraph 1AC.19 is amended as follows:

1AC.19 *Where 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 interest so included is disclosed in a note to the financial statements. (Schedule 1, paragraph 27(3))*

51 Paragraph 1AC.22 is amended as follows:

1AC.22 *Where financial instruments or other assets have been measured ~~at~~ in accordance with the fair value through profit or loss accounting rules there must be stated:*

...

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)(iii), 11.14(d)(iv), 12.8, 13.4A, 14.4(d), 15.9(d), 16.7 and 34.4.

Paragraphs 11.41(a), 11.41(d), 11.43 ...

52 Paragraph 1AC.23 is amended as follows:

1AC.23 *Where financial instruments or other assets have been measured ~~at~~ in accordance with the fair value through profit or loss accounting rules 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))*

53 Paragraph 1AC.25 is deleted as follows:

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. [Deleted]

54 The following subheading (underlined) is inserted above paragraph 1AC.33:

Information about employee numbers

1AC.33 *The notes to ...*

55 Appendix D is renamed to Appendix E, and a new Appendix D is inserted as follows:

Appendix D to Section 1A

Disclosure requirements for small entities in the Republic of Ireland

This appendix is an integral part of Section 1A.

This appendix sets out the disclosure requirements for small entities based on the requirements of company law in the Republic of Ireland. These are shown in italic font in the paragraphs below. The drafting is as close as possible to that set out in company law, other than, for example, substituting company law terminology with the equivalent terminology used in FRS 102 (see Appendix III). References in this appendix to sections of the Companies Act 2014 are to the sections of that Act as amended by the Companies (Accounting) Act 2017 and references to Schedule 3A are to Schedule 3A to the Companies Act 2014.

*When 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, however a small entity in the Republic of Ireland must ensure it complies with all the disclosure requirements of this appendix.*

1AD.1 As a minimum, when relevant to its transactions, other events and conditions, a small entity in the Republic of Ireland shall provide the disclosures set out in this appendix.

1AD.2 These notes shall 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 3A, paragraph 43(2))

Paragraphs 8.3 and 8.4 address similar requirements.

Basis of preparation

1AD.3 A small entity shall ensure that its financial statements include a statement as to whether they have been prepared in accordance with Section 1A of FRS 102 and for any material departure from Section 1A of FRS 102, the effect of the departure and the reasons for it are noted in the financial statements. (Section 291(7) of the Companies Act 2014)

Accounting policies

1AD.4 A small entity shall disclose in the notes to its financial statements the accounting policies adopted by the small entity in determining:

(a) the items and amounts to be included in its statement of financial position; and

(b) the items and amounts to be included in its income statement. (Section 321(1) of the Companies Act 2014)

Paragraph 8.5 addresses similar requirements for disclosing significant accounting policies. 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.

1AD.5 If an amount is included in a small entity's statement of financial position in respect of development costs, the following information shall be given in a note to the financial statements:

(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 costs in question. (Schedule 3A, paragraph 24(2))

Paragraph 18.27(a) addresses similar requirements to paragraph 1AD.5(a).

1AD.6 Where development costs are shown 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 shall state the circumstances and that it is not a realised loss. (Section 120(3) of the Companies Act 2014)

1AD.7 In any case where any goodwill acquired by a small entity is shown or included as an asset in the entity's statement of financial position, the period chosen for writing off the consideration for that goodwill and the reasons for choosing that period shall be disclosed in a note to the financial statements. (Schedule 3A, paragraph 25(4))

Paragraph 19.25(g) addresses similar requirements.

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

1AD.8 Where any change is made in the format adopted in preparing a statement of financial position or income statement of a small entity, the reasons for the change, together with full particulars of the change, shall be given in a note to the financial statements in which the new format is first adopted. (Schedule 3A, paragraph 3(2))

Paragraphs 3.12 and 3.13 address similar requirements.

1AD.9 Where a small entity changes an accounting policy and has disclosed such change in the notes to the financial statements, the notes to those financial statements shall also disclose:

(a) the reason for the change in accounting policy; and

(b) to the extent practicable, the impact of the change in accounting policy on the financial statements for the current reporting period and on the financial statements of preceding periods. (Section 321(3) of the Companies Act 2014)

Paragraphs 10.13 and 10.14 address similar requirements.

1AD.10 Where the corresponding amount for the immediately preceding reporting period is not comparable with the amount to be shown for the item in question in respect of the reporting period to which the statement of financial position or income statement relates, the former amount may be adjusted, and particulars of the adjustment and the reasons therefor shall be given in a note to the financial statements. (Schedule 3A, paragraph 5(1))

This is likely to be relevant when 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.

True and fair override

1AD.11 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 on the statement of financial position and income statement shall be given in the notes to the financial statements. (Section 291(6) of the Companies Act 2014 and Schedule 3A, paragraph 19)

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

1AD.12 Where an asset or liability relates to more than one of the items listed in the statement of financial position, its relationship to other items shall be disclosed either under the item where it is shown or in the notes to the financial statements. (Schedule 3A, paragraph 4(7))

Fixed assets

1AD.13 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 shall be given:

(a) the aggregate amounts (on the basis of cost or revaluation, or under the fair value accounting rules) 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 or under the fair value accounting rules;

(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 3A, paragraphs 45(1) and 45(2))

1AD.14 In respect of each item within paragraph 1AD.13 there shall also be stated:

(a) the cumulative amount of value adjustments 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 value adjustments made in respect of the reporting period;

(c) the amount of any adjustments made in respect of any such value adjustments 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 value adjustments during the reporting period. (Schedule 3A, paragraph 45(3))

Comparatives are not required for the movements in fixed assets during the reporting period noted in paragraphs 1AD.13 and 1AD.14 above. (Schedule 3A, paragraph 5(2))

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.

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

1AD.15 Where 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 shall be disclosed in the note on accounting policies. (Schedule 3A, paragraph 35(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.
- Intangible assets other than goodwill are revalued using the revaluation model set out in paragraphs 18.18B to 18.18H. Paragraph 18.29A(c) addresses a similar disclosure requirement.

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

1AD.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 shall be shown separately in the statement of financial position or in a note to the financial statements. (Schedule 3A, paragraph 35(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 3A, paragraph 35(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 1AD.15.

1AD.17 Where any amount is transferred to or from any revaluation reserves and the revaluation reserves are shown as separate items in the small entity's statement of financial position, the following information shall be set out in tabular form:

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

(b) any amount transferred to or from the reserves during that period; and

(c) the source and application respectively of any amounts so transferred. (Schedule 3A, paragraph 49)

Paragraph 6.3A addresses similar requirements.

These requirements apply in the same circumstances as those set out in paragraph 1AD.15.

1AD.18 The treatment for taxation purposes of amounts credited or debited to the revaluation reserve shall be disclosed in a note to the financial statements. (Schedule 3A, paragraph 36(6))

Paragraph 29.27(a) addresses similar requirements.

These requirements apply in the same circumstances as those set out in paragraph 1AD.15.

Capitalisation of borrowing costs

1AD.19 Where 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 3A, paragraph 29(3))

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

Impairment of assets

1AD.20 Value adjustments for impairment of fixed assets (including fixed asset investments) shall be disclosed (either separately or in aggregate) in a note to

the financial statements if not shown separately in the income statement. (Schedule 3A, paragraphs 23(1) and (2))

Paragraph 27.32(a) addresses similar requirements.

1AD.21 Any value adjustments for impairment of fixed assets that are reversed because the reasons for which they were made have ceased to apply shall be disclosed (either separately or in aggregate) in a note to the financial statements if not shown separately in the income statement. (Schedule 3A, paragraph 23(3))

Paragraph 27.32(b) addresses similar requirements.

Fair value measurement

1AD.22 Where financial instruments or assets other than financial instruments have been measured in accordance with the fair value accounting rules there shall be stated:

(a) the significant assumptions underlying the valuation models and techniques where fair values have been determined otherwise than by reference to market price in an active market;

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

(i) included in the income statement; or

(ii) credited or debited to the fair value reserve,

in respect of those financial instruments or assets other than financial instruments. (Schedule 3A, paragraphs 46(2)(a) and (b))

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

This applies where financial instruments, 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, 14.4(d), 15.9(d), 16.7 and 34.4.

Paragraphs 11.41, 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(b) and 34.7(c)(i) address similar disclosure requirements for biological assets.

1AD.23 Where financial instruments or assets other than financial instruments have been measured in accordance with the fair value accounting rules there shall 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 3A, paragraph 46(2)(c))

1AD.24 Where financial instruments or assets other than financial instruments have been measured in accordance with the fair value accounting rules there shall be stated in tabular form, the movements in the fair value reserve during the reporting period. (Schedule 3A, paragraph 46(2)(d))

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

Financial instruments measured at fair value

1AD.25 Financial instruments that under international financial reporting standards (IFRS) may be accounted for in financial statements at fair value, may be so

accounted for in financial statements to which the provisions of Schedule 3A apply, provided that the disclosures required by IFRS are made. (Schedule 3A, paragraph 38(1))

This applies to all financial instruments measured in accordance with the fair value accounting rules. 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

1AD.26 In respect of each item shown under 'creditors' in the small entity's statement of financial position there shall be stated the aggregate amount of any debts included under 'creditors' which fall due for payment or repayment after the end of the period of five years beginning with the day next following the reporting date. (Schedule 3A, paragraph 50(1))

1AD.27 In respect of each item shown under 'creditors' in the small entity's statement of financial position there shall be stated:

(a) the aggregate amount of any debts included under that item in respect of which any security has been given; and

(b) an indication of the nature of the securities so given. (Schedule 3A, paragraph 50(2))

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

1AD.28 Particulars shall be given of any charge on the assets of the small entity to secure the liabilities of any other person, including, where practicable, the amount secured. (Schedule 3A, paragraph 51(1))

1AD.29 Particulars and the total amount or estimated total amount shall be given with respect to any other financial commitment, guarantee or contingency not provided for in the statement of financial position. (Schedule 3A, paragraph 51(2))

The aggregate amount of any such commitments, guarantees or contingencies which are undertaken on behalf of or for the benefit of:

(a) any parent or fellow subsidiary of the small entity;

(b) any subsidiary of the small entity; or

(c) any undertaking in which the small entity has a participating interest,

shall be separately stated and those within each of clause (a), (b) and (c) shall also be stated separately from those within any other of those clauses. (Schedule 3A, paragraph 51(7))

1AD.30 An indication of the nature and form of any valuable security given by the small entity in respect of commitments, guarantees and contingencies not provided for in the statement of financial position shall be given. (Schedule 3A, paragraph 51(3))

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

1AD.31 The total amount of any commitments not provided for in the statement of financial position concerning retirement benefits shall be disclosed separately. (Schedule 3A, paragraph 51(4))

1AD.32 Particulars, including details of significant assumptions underlying the valuation models shall be given of retirement benefit commitments which are included in the statement of financial position. (Schedule 3A, paragraph 51(5))

1AD.33 Where any commitment referred to in paragraph 1AD.31 or 1AD.32 relates wholly or partly to retirement benefits payable to past directors of the company, separate particulars shall be given of that commitment. (Schedule 3A, paragraph 51(6))

Such commitments as referred to in 1AD.29 to 1AD.33 can arise in a variety of situations, including in relation to group entities, investments, property, plant and equipment, leases and retirement benefit 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.

Paragraph 28.41(k) addresses similar requirements for the assumptions underlying retirement benefit commitments recognised in the statement of financial position.

1AD.34 The nature and business purpose of any arrangements of a small entity that are not included in its statement of financial position shall be provided in the notes to the financial statements if the risks or benefits arising from such arrangements are material and in so far as the disclosure of such risks or benefits is necessary for assessing the financial position of the small entity. (Sections 323(1) and 323(1A) of the Companies Act 2014)

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 1AD.28 to 1AD.33 will also address such arrangements.

Appropriation of profit or loss

1AD.35 The income statement, statement of financial position or notes to the financial statements of a small entity for a reporting period shall show:

- (a) the aggregate amount of dividends paid in the reporting period (other than dividends for which a liability existed at the immediately preceding reporting date);
- (b) the aggregate amount of dividends the small entity is liable to pay at the reporting date (other than dividends for which a liability existed at the immediately preceding reporting date);
- (c) separately, any transfer between retained earnings and other reserves;
- (d) any other increase or reduction in the balance on retained earnings since the immediately preceding reporting date;
- (e) the profit or loss brought forward at the beginning of the reporting period;
and
- (f) the profit or loss carried forward at the end of the reporting period.
(Schedule 3A, paragraph 48)

Paragraph 6.3(c) addresses similar requirements.

Notes supporting the income statement

1AD.36 The income statement or the notes to the financial statements shall disclose information on the nature, amount and effect of individual items of income and expenditure that are exceptional by virtue of size or incidence. (Schedule 3A, paragraph 53)

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

Information about employee numbers

1AD.37 The notes to a small entity's financial statements shall disclose the average number of persons employed by the small entity in the reporting period. (Sections 317(1)(a) and 317(7A) of the Companies Act 2014)

Related party disclosures

Directors' remuneration (Sections 305 and 306 of the Companies Act 2014)

1AD.38 The notes to the financial statements of a small entity shall disclose both for the current and the preceding reporting period the following amounts in relation to persons who at any time during the financial year were directors of the small entity:

(a) the aggregate amount of emoluments paid to or receivable by directors in respect of qualifying services;

(b) the aggregate amount of the gains by the directors on the exercise of share options during the reporting period;

(c) the aggregate amount of the money or value of other assets, including shares but excluding share options, paid to or receivable by the directors under long term incentive schemes in respect of qualifying services;

(d) the aggregate amount of any contributions paid, treated as paid, or payable during the reporting period to a retirement benefit scheme in respect of qualifying services of directors, identifying separately the amounts relating to:

(i) defined contribution schemes; and

(ii) defined benefit schemes;

and in each case showing the number of directors, if any, to whom retirement benefits are accruing under such schemes in respect of qualifying services,

(e) the aggregate amount of any compensation paid or payable to directors in respect of loss of office or other termination payments in the reporting period, distinguished between:

(i) amounts in respect of the office of director of the small entity; and

(ii) amounts in respect of other offices. (Sections 305(1) and 305(12)(b) of the Companies Act 2014)

The aggregate amounts in sub-paragraph (e) above should also be distinguished between amounts paid by or receivable from:

(i) the small entity;

(ii) the small entity's subsidiaries;

(iii) any parent of the small entity; and

(iv) any other person. (Section 305(13)(b) of the Companies Act 2014)

1AD.39 The notes to the financial statements of a small entity shall disclose both for the current and the preceding reporting period the following amounts in relation to the one or more persons who are past directors of it or past directors of its parent:

(a) the aggregate amount paid or payable for such directors' retirement benefits analysed between:

(i) retirement benefits for services as director of the small entity; and

(ii) other retirement benefits; (Sections 305(2) and 305(10) of the Companies Act 2014)

(b) the aggregate amount of any compensation paid or payable to such directors in respect of loss of office or other termination benefits distinguished between:

(i) amounts in respect of the office of director of the small entity; and

(ii) amounts in respect of other offices. (Sections 305(2) and 305(12)(b) of the Companies Act 2014)

The aggregate amounts in sub-paragraph (b) above should also be distinguished between amounts paid by or receivable from:

(i) the small entity;

(ii) the small entity's subsidiaries;

(iii) any parent of the small entity;

(iv) and any other persons. (Section 305(13)(b) of the Companies Act 2014)

The disclosures in paragraphs 1AD.38 and 1AD.39 shall include all amounts paid or payable to a person connected with a director (Section 306(1)) and shall include all relevant sums paid by or receivable from the small entity, its subsidiaries, any parent of the small entity, and any other person (Section 305(13)(a) of the Companies Act 2014).

Payments to third parties for services of directors (Sections 305A and 306 of the Companies Act 2014)

1AD.40 The notes to the financial statements of a small entity shall disclose, both for the current and the preceding reporting period, the aggregate amount of any consideration paid to, or receivable by, third parties for making available the services of any person:

(a) as a director of the small entity;

(b) as director of any of its subsidiaries; or

(c) otherwise in connection with the management of the small entity's affairs or any of its subsidiaries.

This disclosure shall include all relevant sums paid by or receivable from, and shall distinguish between the sums respectively paid by, or receivable from, the small entity, its subsidiaries, any parent of the small entity and any other persons. (Section 305A(1) and 305A(2) of the Companies Act 2014)

The nature of any consideration paid to, or receivable by, the third parties identified above, shall also be disclosed. (Section 305A(4)(a)(ii) of the Companies Act 2014)

Transactions with directors (Sections 307 to 309 of the Companies Act 2014)

1AD.41 The financial statements of a small entity shall disclose, both for the current and the preceding reporting period, in the notes to the financial statements the particulars of the following arrangements (see paragraphs 1AD.42 to 1AD.45).

Loans, quasi-loans and credit transactions^[*footnote1]^[*footnote2]

1AD.42 The particulars required in respect of loans, quasi-loans and credit transactions entered into by the small entity with or for persons who at any time during the reporting period, were directors of the company or of its parent or persons connected with such directors, separately for each director or other person, are:

- (a) the name of the person for whom the arrangements were made and where that person is or was connected with a director of the small entity or its parent, the name of the director;
- (b) the value of the arrangements at the beginning and end of the reporting period;
- (c) advances made under the arrangements during the reporting period;
- (d) amounts repaid under the arrangements during the reporting period;
- (e) the amounts of any allowance made during the reporting period in respect of any failure or anticipated failure by the borrower to repay the whole or part of the outstanding amount;
- (f) amounts outstanding under the arrangements waived during the reporting period;
- (g) an indication of the interest rate; and
- (h) the arrangements' other main conditions. (Section 307(3) of the Companies Act 2014)

Additionally, a separate total of the amounts stated for the purposes of each of paragraphs (b) to (f) above, and the amounts stated for the purposes of paragraph (b) expressed as a percentage of the net assets of the small entity at the beginning and end of the reporting period shall be disclosed. (Section 307(8)(a) and (c) of the Companies Act 2014) These additional requirements are extended to persons who are officers (but not directors) of the small entity or its parent, and separate disclosure in respect of these officers is required on an aggregate basis, as well as the number of officers for whom such arrangements were made. (Section 307(9) of the Companies Act 2014)

1AD.43 The particulars required in respect of an agreement to enter into loans, quasi-loans or credit transactions by the small entity with or for persons who at any time during the reporting period, were directors of the small entity or directors of its parent or persons connected with such directors, are those of subparagraphs (a), (g) and (h) of paragraph 1AD.42, and additionally the value of the arrangements agreed to. (Section 307(4) of the Companies Act 2014)

The disclosures shall be made separately for each director or other person.

Guarantees and security provided by the small entity^[*footnote1]^[*footnote2]

1AD.44 The particulars required for guarantees entered into and security provided by the small entity on behalf of persons who at any time during the reporting period were directors of the small entity or of its parent or persons connected with such directors in connection with a loan, quasi-loan or credit transaction entered into with or for those directors or other persons, separately for each director or other person, are:

- (a) the name of the person for whom the arrangements were made and where that person is or was connected with a director of the small entity or its parent, the name of the director;
- (b) the amount of the maximum liability that may be incurred by the small entity;
- (c) any amount paid and any liability incurred by the small entity for the purpose of fulfilling the guarantee or on foot of the provision of security (including any loss incurred by reason of enforcement of the guarantee or loss of the security); and
- (d) the arrangements' main terms. (Section 307(5) of the Companies Act 2014)

Additionally, a separate total of the amounts stated for the purposes of each of paragraphs (b) and (c) above is required. (Section 307(8)(b) of the Companies Act 2014) This requirement is extended to persons who are officers (but not directors) of the small entity or its parent and separate disclosure in respect of these officers is required on an aggregate basis, as well as the number of officers for whom such arrangements were made. (Section 307(9) of the Companies Act 2014)

1AD.45 The particulars required in respect of agreements by the small entity to enter into guarantees or provide security on behalf of persons who at any time during the reporting period were directors of the small entity or of its parent or persons connected with such directors in connection with a loan, quasi-loan or credit transaction entered into with or for those directors or other persons, are those of subparagraphs (a), (b) and (d) of paragraph 1AD.44. (Section 307(6) of the Companies Act 2014)

The disclosures shall be made separately for each director or other person.

Additional requirements

1AD.46 Where at any time during the reporting period the aggregate of the amounts of:

- (a) the amount outstanding under arrangements waived comprising loans, quasi-loans and credit transactions; and
- (b) the amount of the maximum liability that may be incurred by the small entity in respect of arrangements comprising guarantees entered into or security provided in connection with a loan, quasi-loan or credit transaction

amount to more than 10 per cent of the net assets of the small entity, the aggregate amount shall be stated and the percentage of net assets that the total represents. (Section 307(10) of the Companies Act 2014)

1AD.47 In the event that the small entity is a parent and is taking an exemption from the requirement to prepare group financial statements, it shall provide the information required by paragraphs 1AD.41 to 1AD.46 in its financial statements in relation to both the small entity and its subsidiaries. (Section 308(4) of the Companies Act 2014)

A small entity that is not a company shall provide the disclosures required by paragraphs 1AD.42 to 1AD.47 in relation to members of its governing body.

1AD.48 The financial statements of a small entity shall disclose, both for the current and the preceding reporting period, in the notes to the financial statements the following particulars of any other arrangement or transaction not dealt with in paragraphs 1AD.38 to 1AD.47, entered into by the small entity in which a person, who at any time during the reporting period was a director, a director of its parent or a person connected with such a director, had, directly or indirectly, a material interest:

- (a) particulars of the principal terms of the arrangement or transaction;
- (b) the name of the director or other person with the material interest; and

(c) the nature of the interest. (Section 309 of the Companies Act 2014)

Disclosure is not required in relation to transactions or arrangements with a small entity in which a director of the small entity or of its parent, or a person connected with such a director, had directly or indirectly, a material interest if:

(a) they are excluded by virtue of section 309(5) of the Companies Act 2014; or

(b) (i) the value of each transaction or arrangement in which that director, or other person, had directly or indirectly a material interest and which was made after the commencement of the financial year with the small entity; and

(ii) the value of each such transaction or arrangement which was made before the commencement of the reporting period, less the amount, if any, by which the liabilities of the person for whom the transaction or arrangement was made have been reduced (that is, the value outstanding),

did not at any time in the reporting period exceed in aggregate €5,000 or, if more, did not exceed the lesser of €15,000 and 1% of the value of the small entity's net assets. (Section 309(6) of the Companies Act 2014)

In the event that the small entity is a parent and is taking an exemption from the requirement to prepare group financial statements, it shall provide the information required by this paragraph in its financial statements in relation to both the small entity and its subsidiaries. (Section 309(7) of the Companies Act 2014)

Other related party disclosures

1AD.49 Where a small entity, or a nominee of the small entity or a person acting in that person's own name but on behalf of the small entity, holds shares in the small entity or an interest in such shares, the notes to the financial statements shall give separately:

(a) the number and aggregate nominal value of those shares and, where shares of more than one class have been acquired, the number and aggregate nominal value of each class of such shares, at the beginning and end of the reporting period together with the consideration paid for such shares;

(b) a reconciliation of the number and nominal value of each class of such shares from the beginning of the reporting period to the end of the reporting period showing all changes during the reporting period, including further acquisitions, disposals and cancellations, in each case showing the value of the consideration paid or received, if any;

(c) the reasons for any acquisitions made during the reporting period;

(d) the proportion of called-up share capital held at the beginning and end of the reporting period; and

(e) particulars of any restriction on profits available for distribution by virtue of the application of Section 320. (Section 320 of the Companies Act 2014)

1AD.50 Where a small entity is a parent and a subsidiary, the following information shall be stated with respect to the parent of the smallest group for which consolidated financial statements are drawn up and of which the small entity is a member:

(a) the name of the parent; and

(b) if the parent is incorporated, the address of the parent's registered office whether in or outside of the Republic of Ireland; or

(c) if the parent is unincorporated, the address of its principal place of business. (Schedule 3A, paragraphs 57 and 58)

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

1AD.51 Particulars shall be given in the notes to the financial statements of transactions which have been entered into with related parties by the small entity if such transactions are material and have not been concluded under normal market conditions. The particulars shall include the amount of such transactions, the nature of the related party relationship and other information about the transactions which is necessary for an understanding of the financial position of the small entity.

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

Particulars need not be given of transactions which are entered into between two or more members of a group if any subsidiary which is party to the transaction is wholly owned by such a member.

These requirements apply only to related parties that are:

(a) the holders of participating interests in the small entity;

(b) entities in which the small entity holds a participating interest; and

(c) directors of the small entity or of a parent of the small entity. (Schedule 3A, paragraph 55)

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 a small entity's governing body, include dividends paid to directors.

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

Other

1AD.52 The financial statements shall state the following:

(a) the name and legal form of the small entity;

(b) the place of registration of the small entity and the number under which it is registered;

(c) the address of its registered office;

(d) if relevant, the fact that the small entity is being wound up, and where appropriate, whether a receiver or a provisional liquidator has been appointed and the former name as well as the existing name of the small entity if the winding up of the small entity commences within one year after the date on which it has changed its name. (Section 291(3A) of the Companies Act 2014)

Paragraph 3.24(a) addresses similar requirements to (a), (b) and (c).

1AD.53 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 shall be disclosed in a note to the financial statements. (Schedule 3A, paragraph 4(5))

1AD.54 The particulars and financial impact of material events that have occurred after the end of the reporting period shall be given in the notes to the financial statements. (Schedule 3A, paragraph 56)

Paragraphs 32.10 and 32.11 address similar requirements.

1AD.55 Amounts in respect of items representing assets or income may be set off against amounts in respect of items representing liabilities or expenditure or vice versa in accordance with applicable accounting standards, provided that the gross amounts are disclosed in a note to the financial statements. (Schedule 3A, paragraph 7)

^[*footnote 1] Other arrangements: Similar disclosures must be given where a small entity has been assigned or has assumed any right or obligation or liability which, if it had itself undertaken that right or obligation or liability, would have fallen under these disclosures. (Sections 307(1)(e) and 307(7) of the Companies Act 2014)

^[*footnote 2] Exemption: The disclosure requirements in paragraphs 1AD.42 to 1AD.45 do not apply in relation to an individual director and persons connected with him/her if the aggregate value of all agreements, transactions and arrangements did not, at any time during the reporting period, exceed €7,500 for that director and those persons. Section 308(6) states that references to 'director' are also to be read as references to an 'officer who is not a director' as applicable. (Sections 308(3), 308(5) and 308(6) of the Companies Act 2014).

56 Appendix D (now renamed to Appendix E) to Section 1A is amended as follows:

Additional disclosures encouraged for small entities

This appendix is an integral part of ~~the Standard~~ Section 1A.

57 Paragraph 1AD.1 (now renumbered to paragraph 1AE.1) is amended as follows:

1AE.1 ~~When~~ When relevant to its transactions, other events and conditions, a small entity in the UK is encouraged to provide the following disclosures:

...

- (c) the disclosures relating to material uncertainties related to events or conditions that cast significant doubt upon the small entity's ability to continue as a going concern as set out in paragraph 3.9;

...

58 Paragraph 1AE.2 is inserted as follows:

1AE.2 When relevant to its transactions, other events and conditions, a small entity in the Republic of Ireland is encouraged to provide the disclosures in paragraphs 1AE.1(b), (c) and (e).

Amendments to Section 2

Concepts and Pervasive Principles

59 The following paragraphs set out the amendments to Section 2 *Concepts and Pervasive Principles* (deleted text is struck through, inserted text is underlined).

60 Paragraph 2.1 is amended as follows:

2.1 This section ~~describes~~sets out the **objective of financial statements** of entities within the scope of this FRS and the qualities that make the information in the **financial statements** of entities within the scope of this FRS useful. It also sets out the concepts and basic principles underlying the financial statements of entities within the scope of this FRS.

61 Paragraph 2.34(b) is amended as follows:

2.34 (b) Fair value is the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction. In the absence of any specific guidance provided in the relevant section of this FRS, ~~when~~the fair value measurement is permitted or required the guidance in the appendix to this section paragraphs 11.27 to 11.32 shall be applied.

62 Paragraph 2.35 is amended as follows:

2.35 The requirements for recognising and measuring assets, liabilities, income and expenses in this FRS are based on pervasive principles that are derived from the IASB *Framework for the Preparation and Presentation of Financial Statements*⁷ and from **EU-adopted IFRS**. In the absence of a requirement in this FRS that applies specifically to a transaction or other event or condition, paragraph 10.4 provides guidance for making a judgement and paragraph 10.5 establishes a hierarchy for an entity to follow in deciding on the appropriate accounting policy in the circumstances. The ~~second~~third level of that hierarchy requires an entity to look to the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses and the pervasive principles set out in this section.

63 Paragraph 2.47(a) is amended as follows:

2.47 (a) investments in non-derivative instruments that are equity of the issuer (eg most **ordinary shares** and certain preference shares) ~~non-convertible preference shares and non-puttable ordinary and preference shares~~ that are **publicly traded** or whose fair value can otherwise be measured reliably, which are measured at fair value with changes in fair value recognised in profit or loss; and

64 In paragraph 2.47(b), the term 'financial instruments' is now shown in bold type.

65 Paragraph 2.50(a) is amended as follows:

2.50 (a) Investments in **associates** and **joint ventures** that an entity measures at fair value (see paragraphs 14.4(~~bc~~), 14.4(d) and 14.4B, and 15.9(~~bc~~), 15.9(d) and 15.9B respectively).

- 66 Paragraphs 11.27 to 11.32 are moved to an appendix at the end of Section 2, renumbered to paragraphs 2A.1 to 2A.6 and amended as follows:

Appendix to Section 2

Fair value measurement

This appendix is an integral part of Section 2.

- 2A.1 Other sections of this FRS make reference to the fair value guidance in this appendix, including Section 9 *Consolidated and Separate Financial Statements*, Section 11 *Basic Financial Instruments*, Section 12 *Other Financial Instruments Issues*, Section 13 *Inventories*, Section 14 *Investments in Associates*, Section 15 *Investments in Joint Ventures*, Section 16 *Investment Property*, Section 17 *Property, Plant and Equipment*, Section 18 *Intangible Assets other than Goodwill*, Section 27 *Impairment of Assets*, Section 28 *Employee Benefits* (in relation to plan assets) and Section 34 *Specialised Activities*. ~~In applying the fair value guidance to assets or liabilities accounted for in accordance with those sections, the reference to ordinary shares or preference share in these paragraphs should be read to include the types of assets and liabilities addressed in those sections.~~

~~Paragraph 11.14(d)(i) requires an investment in non-convertible preference shares and non-puttable ordinary shares or preferences share to be measured at fair value if the shares are publicly traded or if their fair value can otherwise be measured reliably. An entity shall use the following hierarchy methodology to estimate the fair value of the shares an **asset** (or a **liability**, in which case the references to an asset and current bid price in this appendix shall be read as references to a liability and current offer price respectively):~~

- ~~(a) The best evidence of fair value is a quoted price for an identical asset (or similar asset) in an **active market**. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price This is usually the current bid price.~~
- ~~(b) When quoted prices are unavailable, the price ~~of~~ in a binding sale agreement or a recent transaction for an identical asset (or similar asset) in an arm's length transaction between knowledgeable, willing parties provides evidence of fair value as long as there had not. However, this price may not be a good estimate of fair value if there has been a significant change in economic circumstances or a significant lapse period of time since between the date of the binding sale agreement or the transaction, and the measurement date took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (eg because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.~~
- ~~(c) If the market for the asset is not active and any binding sale agreements or recent transactions for an identical asset (or similar asset) on their own are not a good estimate of fair value, an entity estimates the fair value by using another valuation technique. The objective of using another valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.~~

Valuation technique

- 2A.2 Valuation techniques include using the price in a binding sale agreement and recent arm's length market transactions for an identical asset between knowledgeable, willing parties, ~~if available~~, reference to the current fair value of another asset that is substantially the same as the asset being measured, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the asset and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique.
- 2A.3 The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-determined inputs. A valuation technique would be expected to arrive at a reliable estimate of the fair value if:
- (a) it reasonably reflects how the market could be expected to price the asset; and
 - (b) the inputs to the valuation technique reasonably represent market expectations and measures of the risk return factors inherent in the asset.

No active market

- 2A.4 The fair value of ~~ordinary shares or preference shares~~ an asset that does not have a quoted market price in an active market is reliably measurable if:
- (a) the variability in the range of reasonable fair value estimates is not significant for that asset; or
 - (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.
- 2A.5 There are many situations in which the variability in the range of reasonable fair value estimates of assets that do not have a quoted market price is likely not to be significant. Normally it is possible to estimate the fair value of ~~ordinary shares or preference shares~~ an asset that an entity has acquired from an outside party. However, if the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, an entity is precluded from measuring the ~~ordinary shares or preference shares~~ asset at fair value.
- 2A.6 If a reliable measure of fair value is no longer available for an asset measured at fair value ~~(eg ordinary shares or preference shares measured at fair value through profit or loss)~~, its **carrying amount** at the last date the asset was reliably measurable becomes its new cost. The entity shall measure the asset at this cost amount less impairment, if any, until a reliable measure of fair value becomes available.

Amendments to Section 3 *Financial Statement Presentation*

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

68 Paragraph 3.1 is amended as follows:

3.1 This section ~~explains~~ sets out the requirement that the **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.

69 Paragraph 3.1A is amended as follows:

3.1A A **small entity** applying Section 1A *Small Entities* is not required to comply with:
(a) the disclosure requirements of paragraphs 3.3, PBE3.3A, 3.9, 3.12, 3.13 and 3.24(b); and
(b) paragraphs 3.17, 3.18, and 3.19 ~~and 3.24(b)~~.

70 Paragraph 3.1B is inserted as follows:

3.1B A small entity (regardless of the regime it applies in the preparation of its financial statements) is not required to comply with paragraph 3.17(d) unless it is required to prepare a **statement of cash flows** by an applicable **Statement of Recommended Practice (SORP)** or law or other relevant regulation.

71 In paragraph 3.5(c), the term 'objective of financial statements' is now shown in bold type.

72 Paragraph 3.11(b) is amended as follows:

3.11 (b) this FRS, or another applicable FRS ~~or FRC Abstract~~, requires a change in presentation.

73 Paragraph 3.13 is amended as follows:

* 3.13 If it is impracticable to reclassify comparative amounts, an entity shall disclose the reason why reclassification was not practicable.

74 Paragraph 3.14A is inserted as follows:

3.14A An entity providing reconciliations of items of **fixed assets**, in accordance with paragraph 51 of Schedule 1 to the **Regulations**, need not present these reconciliations for prior periods.

75 Paragraph 3.16A is renumbered to 3.16B and a new paragraph 3.16A is inserted. The renumbered paragraph 3.16B is amended and a sequentially numbered footnote is inserted (subsequent footnotes are renumbered sequentially) as follows:

3.16A When applying this FRS an entity shall decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which includes the notes. An entity shall not reduce the **understandability** of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

3.16AB This FRS specifies information that is required to be included in the financial statements, which includes the notes. An entity need not provide a specific disclosure required by this FRS if the information resulting from that disclosure is not material. This is the case even if this FRS contains a list of specific requirements or describes them as minimum requirements^[*footnote].

[*footnote] Certain disclosures required by the Act must be given regardless of materiality, such as information on subsidiary undertakings.

76 In paragraph 3.17(b)(i), the terms 'income' and 'expense' are now shown in bold type.

77 In paragraph 3.17(d), the term 'statement of cash flows' is no longer shown in bold type.

78 Paragraph 3.17(e) is amended as follows:

3.17 (e) notes, comprising ~~a summary~~ of significant accounting policies and other explanatory information.

79 In paragraph 3.23(b), the term 'group' is now shown in bold type.

80 In paragraph 3.24(a), the term 'business' is now shown in bold type.

Amendments to Section 4 *Statement of Financial Position*

- 81 The following paragraph sets out the amendments to Section 4 *Statement of Financial Position* (deleted text is struck through, inserted text is underlined).
- 82 In paragraph 4.1, the term 'reporting period' is no longer shown in bold type and the paragraph is amended as follows:
- 4.1 An entity shall present its **financial position** at the end of the **reporting period**. This section sets out the information that ~~is to~~ shall be presented in a **statement of financial position** and how to present it. The statement of financial position (which is referred to as the balance sheet in the **Act**) presents an entity's **assets, liabilities** and **equity** ~~as of a specific date at~~ the end of the reporting period. This section applies to all entities, whether or not they report under the Act. Entities that do not report under the Act ~~should~~ shall comply with the requirements of this section, and with the **Regulations** (or, where applicable, the **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.
- 83 In paragraphs 4.2A(b), 4.2A(n) and 4.2A(q), the terms 'profit or loss', 'financial liabilities' and 'owners' are now shown in bold type.
- 84 In paragraph 4.2B(e)(i), the term 'business' is now shown in bold type.
- 85 In paragraph 4.2D, the terms 'non-current assets' and 'non-current liabilities' are now shown in bold type.
- 86 In paragraph 4.3, the term 'financial position' is no longer shown in bold type.
- 87 Paragraph 4.12(a)(iv) is deleted as follows:
- 4.12 (a) (iv) ~~A reconciliation of the number of shares outstanding at the beginning and at the end of the period. This reconciliation need not be presented for prior periods. [Deleted]~~
- 88 In paragraph 4.12(a)(vi), the term 'associates' is no longer shown in bold type.

Amendments to Section 5

Statement of Comprehensive Income and Income Statement

89 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).

90 Paragraph 5.1 is amended as follows:

5.1 ~~This section requires a~~An entity shall ~~to~~ present its **total comprehensive income** for a **reporting period**—ie its financial **performance** for the **reporting period**—in one or two statements. ~~†This section sets out the information that is to~~shall be presented in those statements and how to present it. This section applies to all entities, whether or not they report under the **Act**. Entities that do not report under the Act should comply with the requirements of this section, and with the **Regulations** (or, where applicable, the **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. If an entity meets specified conditions and chooses to do so, it may present a **statement of income and retained earnings** as set out in Section 6 *Statement of Change in Equity and Statement of Income and Retained Earnings*.

91 In paragraph 5.5B(c), the terms ‘associates’ and ‘jointly controlled entities’ are no longer shown in bold type and the rest of paragraph 5.5B is amended as follows:

5.5B An entity choosing ...

- (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 operation₇; and
 - (ii) the post-tax gain or loss ~~recognised on the remeasurement of~~ attributable to the impairment or on the disposal of the **assets** or **disposal group(s)** constituting discontinued operations.

...

In addition, an analysis of expenses shall be presented, either in the income statement or in the **notes** to the **financial statements**, which is equivalent to what would have been presented if paragraph 5.5 had been applied.

92 In paragraph 5.7F, the terms ‘financial statements’ and ‘reporting period’ are no longer shown in bold type and the paragraph is amended as follows:

5.7F An entity shall re-present the disclosures in paragraph 5.7D~~E~~ for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

93 Paragraph 5.8 is amended as follows:

5.8 An entity shall recognise all items of income or expense in a period in profit or loss unless an FRS requires or permits otherwise, or unless prohibited by the Act. For example, Under this FRS, the effects of corrections of material errors and changes in accounting policies are presented as retrospective adjustments of prior periods rather than as part of profit or loss in the period in which they arise (see Section 10).

94 In paragraph 5.9B, the terms 'inventory' and 'restructuring' are now shown in bold type, and the paragraph is amended as follows:

5.9B This FRS does not require disclosure of 'operating profit'. However, if an entity elects to disclose ~~the results of operating activities~~ operating profit the entity should ensure that the amount disclosed is representative of activities that would normally be regarded as 'operating'. For example, it would be inappropriate to exclude items clearly related to operations (such as **inventory** write-downs, profits or losses on the sale of **property, plant and equipment, investment property and intangible assets**, and **restructuring** and relocation expenses) because they occur irregularly or infrequently or are unusual in amount. Similarly, it would be inappropriate to exclude items on the grounds that they do not involve **cash flows**, such as **depreciation** and **amortisation** expenses. Profits or losses on the disposal of a discontinued operation shall be excluded from operating profit.

95 Paragraph 5.10 is amended as follows:

5.10 An entity applying paragraph 5.5(a), 5.5(d), ~~or 5.7(a) or 5.7(d)~~ shall not present or describe any items of income or 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), or 5.7(c) ~~or 5.7(d)~~.

96 In paragraph 5.10A, the term 'business' is now shown in bold type.

97 The subheading above paragraph 5.11 and paragraph 5.11 are deleted as follows:

~~**Analysis of expenses**~~

~~5.11 Unless otherwise required under the Regulations, an entity shall present an analysis of expenses using a classification based on either the nature of expense or the function of expenses within the entity, whichever provides information that is reliable and more relevant.~~

~~**Analysis by nature of expense**~~

~~(a) Under this method of classification, expenses are aggregated in the statement of comprehensive income (or in the income statement, under the two-statement approach) according to their nature (eg depreciation, raw materials and consumables and staff costs), and are not reallocated among various functions within the entity.~~

~~**Analysis by function of expense**~~

~~(b) Under this method of classification, expenses are aggregated according to their function as part of cost of sales or, for example, the costs of distribution or administrative activities. [Deleted]~~

98 Appendix to Section 5 is amended as follows:

Example showing presentation of discontinued operations

This appendix accompanies, but is not part of, Section 5. It provides guidance on applying the requirements of Section 5 paragraph 5.7E for presenting discontinued operations. The example illustrates the presentation of comprehensive income in a single statement and the classification of expenses within profit by function. A columnar format is used in order to present a single line item as required by paragraph 5.7E, whilst still complying

with the requirements of the Act to show totals for ~~ordinary activities of items such as turnover, profit or loss before taxation and tax.~~

Statement of comprehensive income

for the year ended 31 December 20X1

	20X1			20X0		
	Continuing operations	Discontinued operations	Total	Continuing operations (as restated)	Discontinued operations (as restated)	Total
	CU	CU	CU	CU	CU	CU
Turnover	4,200	1,232	5,432	3,201	1,500	4,701
Cost of Sales	(2,591)	(1,104)	(3,695)	(2,281)	(1,430)	(3,711)
Gross profit	1,609	128	1,737	920	70	990
Administrative expenses	(452)	(110)	(562)	(418)	(120)	(538)
Other operating income	212	–	212	198	–	198
Profit on disposal of operations	–	304	304	–	–	–
Operating profit	1,369	319	1,688	700	(50)	650
		<u>18</u>	<u>1,387</u>			
<u>Profit on disposal of operations</u>	=	<u>301</u>	<u>301</u>	=	=	=
Interest receivable and similar income	14	–	14	16	–	16
Interest payable and similar charges expenses	(208)	–	(208)	(208)	–	(208)
Profit on ordinary activities before tax	1,175	319	1,494	508	(50)	458
<u>Taxation on profit or loss</u>	(390)	(4)	(394)	(261)	3	(258)
Profit/(loss) on ordinary activities after taxation and profit/(loss) for the financial year	785	315	1,100	247	(47)	200

...

Amendments to Section 6

Statement of Changes in Equity and Statement of Income and Retained Earnings

99 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).

100 Paragraph 6.1 is amended as follows:

6.1 An entity shall present its changes in **equity** for a **reporting period**. This section sets out the information that shall be presented requirements for presenting the ~~changes in an entity's **equity** for a period, either in a statement of changes in equity or, if specified conditions are met and an entity chooses, in a **statement of income and retained earnings**.~~

101 In paragraph 6.2, the term 'reporting period' is no longer shown in bold type.

102 An asterisk is inserted to the left of paragraph 6.3(c).

Amendments to Section 7 Statement of Cash Flows

103 The following paragraphs set out the amendments to Section 7 *Statement of Cash Flows* (deleted text is struck through, inserted text is underlined).

104 In paragraph 7.4(b), the term 'revenue' is now shown in bold type.

105 In paragraph 7.5, the first use of the term 'asset' and the term 'development' are now shown in bold type, the term 'equity' is no longer shown in bold type and the rest of the paragraph is amended as follows:

7.5 Investing activities are ...

(c) cash payments to acquire equity or debt instruments of other entities and interests in **joint ventures**, including the net cash flows arising from obtaining **control** of **subsidiaries** or other businesses (other than payments for those instruments classified as cash equivalents or held for dealing or trading);

(d) cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures, including the net cash flows arising from losing control of subsidiaries or other businesses (other than payments for those instruments classified as cash equivalents or held for dealing or trading);

...

106 In paragraph 7.6, the term 'equity' is now shown in bold type.

107 Paragraph 7.7(a) is amended as follows:

7.7 (a) the indirect method, whereby a measure of profit or loss disclosed in the **statement of comprehensive income** (or separate **income statement** if presented) is adjusted for the effects of non-cash transactions, any deferrals or accruals of past or future operating cash receipts or payments, and items of **income** or **expense** associated with investing or financing cash flows; or

108 In paragraph 7.8(b), the term 'gains' is now shown in bold type, and the rest of paragraph 7.8 is amended as follows:

7.8 Under the indirect method, an entity shall present a reconciliation determining the net cash flow from operating activities ~~is determined by adjusting a measure of~~ profit or loss disclosed in the statement of comprehensive income (or separate income statement if presented) for the effects of:

(a) ...

109 In paragraph 7.9, the terms 'statement of other comprehensive income' and 'income statement' are no longer shown in bold type.

110 In paragraph 7.10, the term 'subsidiaries' is no longer shown in bold type.

111 In paragraph 7.10E, the terms 'business' and 'group' are now shown in bold type.

112 Paragraph 7.12 is amended as follows:

7.12 An entity shall translate cash flows of a foreign subsidiary at the exchange rate between the ~~entity group's functional~~ **presentation currency** and the foreign currency of the subsidiary at the date of the cash flow or at an exchange rate that approximates the actual rate (for example, a weighted average exchange rate for the period).

113 Paragraph 7.22 is inserted as follows:

7.22 An entity shall disclose an analysis of changes in **net debt** from the beginning to the end of the reporting period showing changes resulting from:

- (a) the cash flows of the entity;
- (b) the acquisition and disposal of subsidiaries;
- (c) new finance leases entered into;
- (d) other non-cash changes; and
- (e) the recognition of changes in market value and exchange rate movements.

When several balances (or parts thereof) from the statement of financial position have been combined to form the components of opening and closing net debt, sufficient detail shall be shown to enable users to identify these balances.

This analysis need not be presented for prior periods.

Amendments to Section 8

Notes to the Financial Statements

114 The following paragraphs set out the amendments to Section 8 *Notes to the Financial Statements* (deleted text is struck through, inserted text is underlined).

115 Paragraph 8.1 is amended as follows:

8.1 An entity shall present **notes to its financial statements**. This section sets out the principles underlying the information that ~~is to~~ shall be presented in the notes ~~to the financial statements~~ and how to present it. Notes contain information in addition to that presented in the **statement of financial position**, **statement of comprehensive income** (if presented), **income statement** (if presented), **combined statement of income and retained earnings** (if presented), **statement of changes in equity** (if presented), and **statement of cash flows** (if presented). Notes provide narrative descriptions or disaggregations of items presented in those statements and information about items that do not qualify for **recognition** in those statements. In addition to the requirements of this section, nearly every other section of this FRS requires disclosures that are normally presented in the notes.

116 In paragraph 8.5(a), the term 'measurement' is now shown in bold type and the rest of the paragraph is amended as follows:

* 8.5 An entity shall disclose ~~the following in the summary of~~ its significant accounting policies comprising:

(a) ...

117 Paragraph 8.6 is amended as follows:

8.6 An entity shall disclose, ~~in the summary of~~ along with its significant accounting policies or other notes, the judgements, ~~apart from those involving estimations~~ (see paragraph 8.7), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

118 In paragraph 8.7, the term 'reporting date' is now shown in bold type.

Amendments to Section 9 *Consolidated and Separate Financial Statements*

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

120 Paragraph 9.1 is amended as follows:

9.1 This section applies to ~~all~~ **parents** that present **consolidated financial statements** (which are referred to as group accounts in the **Act**) intended to give a true and fair view of the **financial position** and **profit or loss** (or **income and expenditure**) of their group, whether or not they report under the Act. Parents that do not report under the Act ~~should~~ shall comply with the requirements of this section, and of the Act 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. This section also includes ~~guidance on~~ requirements for **individual financial statements** and **separate financial statements**.

121 A new paragraph 9.9A is inserted as follows and paragraphs 9.9A and 9.9B are renumbered to 9.9B and 9.9C respectively.

9.9A A subsidiary may be excluded from consolidation when its inclusion is not material for the purpose of giving a true and fair view (but two or more subsidiaries may be excluded only if they are not material taken together).

122 In paragraph 9.9A (now renumbered to 9.9B) the terms ‘accounting policy’, ‘significant influence’ and ‘associate’ are now shown in bold type.

123 In paragraph 9.9B (now renumbered to 9.9C) the term ‘accounting policy’ is no longer shown in bold type and subparagraph (b) is split into two lines as follows:

9.9BC A subsidiary excluded from consolidation on the grounds set out in paragraph 9.9(b) which is:

(a) **held as part of an investment portfolio** shall be measured at fair value with changes in fair value recognised in profit or loss; or

(b) not held as part of an investment portfolio

shall be measured using an accounting policy selected by the parent in accordance with paragraph 9.26.

124 In paragraph 9.13(a), the term ‘expenses’ is now shown in bold type.

125 In paragraph 9.13(d)(i), the term ‘contingent liabilities’ is now shown in bold type and the rest of paragraph 9.13(d) is amended as follows:

9.13 (d) (i) ~~the amount of the non-controlling interest’s share in the~~ identifiable net assets amount ~~(consisting of the identifiable assets, liabilities and~~ **contingent liabilities** as recognised and measured in accordance with Section 19 *Business Combinations and Goodwill*, if any) at the date of the original combination; and

(ii) the non-controlling interest’s share of changes in equity since the date of the combination or other acquisition.

126 In paragraph 9.18, the term ‘public benefit entity’ is now shown in bold type.

127 In paragraph 9.18A, the term ‘statement of comprehensive income’ is now shown in bold type.

- 128 In paragraph 9.19, the term 'associate' is no longer shown in bold type.
- 129 In paragraph 9.19C, the term 'contingent liabilities' is no longer shown in bold type.
- 130 In paragraph 9.21, the term 'statement of comprehensive income' is no longer shown in bold type.

131 Paragraph 9.23 is amended as follows:

9.23 The following disclosures ...

- (d) the nature and extent of any significant restrictions (eg resulting from borrowing arrangements or regulatory requirements) on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans; ~~and~~
- (e) the name of any subsidiary excluded from consolidation and the reason for exclusion; ~~and~~
- (f) the nature and extent of its interests in unconsolidated special purpose entities, and the risks associated with those interests.

132 Paragraph 9.26 is amended as follows:

9.26 ~~When an entity that is a parent prepares separate financial statements, and describes them as conforming to this FRS, those financial statements shall comply with all of the requirements of this FRS. The parent it shall select and adopt a policy of accounting for its investments in subsidiaries, associates and jointly controlled entities in those separate financial statements either:~~

- (a) ...
- (b) at fair value with changes in fair value recognised in other comprehensive income (or profit or loss) in accordance with paragraphs 17.15E and 17.15F; or
- (c) at fair value with changes in fair value recognised in profit or loss ~~(paragraphs 11.27 to 11.32 provide guidance on fair value).~~

The Appendix to Section 2 *Concepts and Pervasive Principles* provides guidance on determining fair value.

~~The~~ An entity shall apply the same accounting policy for all investments in a single class (for example investments in subsidiaries that are held as part of an investment portfolio, those that are not so held, associates or jointly controlled entities), but it can elect different policies for different classes.

This also applies to entities preparing individual financial statements.

133 In paragraph 9.33, the term 'share-based payments' is now shown in bold type.

134 Paragraph 9.33A is inserted as follows:

9.33A It is possible for an entity to be owned by a trust established for the benefit of employees without the entity controlling the trust. An example is when the entity is a co-operative, owned by its employees, and all of the shares are held in a trust for the benefit of the employees but the shares never **vest** in individual employees, with dividends from the company being distributed to employees solely in accordance with the provisions of the trust deed.

135 In paragraph 9.37(a), the term 'vest' is no longer shown in bold type.

136 In paragraph 9.37(e), the term 'accrual basis' is now shown in bold type and paragraph 9.37(e) is amended as follows:

- 9.37 (e) Finance costs and any administration expenses shall be recognised on an **accruals basis** rather than as funding payments are made to the intermediary.

Amendments to Section 10

Accounting Policies, Estimates and Errors

137 The following paragraphs set out the amendments to Section 10 *Accounting Policies, Estimates and Errors* (deleted text is struck through, inserted text is underlined).

138 Paragraph 10.1 is amended as follows:

- 10.1 This section ~~provides guidance~~ sets out the requirements for:
- (a) selecting and applying the **accounting policies** used in preparing **financial statements**; ~~It also covers~~
 - (b) accounting for **changes in accounting estimates**; and
 - (c) accounting for corrections of **errors** in prior period financial statements.

139 Paragraph 10.3 is amended as follows:

- 10.3 If an FRS ~~or FRC Abstract~~ specifically addresses a transaction, other event or condition, an entity shall apply that FRS ~~or FRC Abstract~~. However, the entity need not follow a requirement in an FRS ~~or FRC Abstract~~ if the effect of doing so would not be **material**.

140 Paragraph 10.4 is amended as follows:

- 10.4 If an FRS ~~or FRC Abstract~~ does not specifically address a transaction, other event or condition, an entity's management shall use its judgement in developing and applying an accounting policy that results in information that is:
- (a) ...

141 Paragraph 10.5(a) is amended as follows:

- 10.5 (a) the requirements and guidance in an FRS ~~or FRC Abstract~~ dealing with similar and related issues;

142 In paragraph 10.5(c), the term 'measurement' is now shown in bold type.

143 Paragraph 10.6 is amended as follows:

- 10.6 In making the judgement described in paragraph 10.4, management may also consider the requirements and guidance in **EU-adopted IFRS** dealing with similar and related issues. Paragraphs 1.4 to 1.7 require certain entities to apply IAS 33 *Earnings per Share* (as adopted in the EU), IFRS 8 *Operating Segments* (as adopted in the EU) or IFRS 6 *Exploration for and Evaluation of Mineral Resources* (as adopted in the EU).

144 Paragraph 10.7 is amended as follows:

- 10.7 An entity shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless an FRS ~~or FRC Abstract~~ specifically requires or permits categorisation of items for which different policies may be appropriate. If an FRS ~~or FRC Abstract~~ requires or permits such categorisation, an appropriate accounting policy shall be selected and applied consistently to each category.

145 Paragraph 10.8(a) is amended as follows:

- 10.8 (a) is required by an FRS ~~or FRC Abstract~~; or

146 Paragraph 10.9(c) is amended as follows:

- 10.9 (c) a change to the cost model when a reliable measure of **fair value** is no longer available (or vice versa) for an asset that an FRS ~~or FRC Abstract~~ would otherwise require or permit to be measured at fair value.

147 Paragraph 10.10 is amended as follows:

- 10.10 If an FRS ~~or FRC Abstract~~ allows a choice of accounting treatment (including the measurement basis) for a specified transaction or other event or condition and an entity changes its previous choice, that is a change in accounting policy.

148 Paragraph 10.11(a) is amended as follows:

- 10.11 (a) an entity shall account for a change in accounting policy resulting from a change in the requirements of an FRS ~~or FRC Abstract~~ in accordance with the transitional provisions, if any, specified in that amendment;

149 Paragraph 10.13 is amended as follows:

- * 10.13 When an amendment to an FRS ~~or FRC Abstract~~ has an effect on the current period or any prior period, or might have an effect on future periods, an entity shall disclose the following:
- (a) ...

150 Paragraph 10.23(d) is amended as follows:

- * 10.23 (d) an explanation if it is ~~not~~impracticable to determine the amounts to be disclosed in (b) or (c) above.

Amendments to Section 11 *Basic Financial Instruments*

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

152 Paragraph 11.1 is amended as follows:

11.1 ~~This section~~ Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instruments Issues* together ~~deal with~~ set out the requirements for the recognition^{ing}, derecognition^{ing}, measurement^{ing} and disclosure^{ing} of financial instruments (financial assets and financial liabilities). ~~Section 11~~ This section applies to basic financial instruments and is relevant to all entities. Section 12 applies to other, more complex financial instruments and transactions. If an entity enters into only basic financial instrument transactions then Section 12 is not applicable. However, even entities with only basic financial instruments shall consider the scope of Section 12 to ensure ~~they are exempt~~ that it does not apply.

153 Paragraph 11.2 is amended and a sequentially numbered footnote is inserted (subsequent footnotes are renumbered sequentially) as follows:

11.2 An entity shall ...

- (b) the **recognition** and **measurement** provision of IAS 39 *Financial Instruments: Recognition and Measurement* (as adopted ~~for use~~ in the EU)^[*footnote], the disclosure requirements of Sections 11 and 12 and the presentation requirements of paragraphs 11.38A ~~or~~ and 12.25B; or
- (c) the recognition and measurement provisions of IFRS 9 *Financial Instruments* (as adopted in the EU) ~~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~~ and 12.25B;

...

^[*footnote] Until IAS 39 is superseded by IFRS 9 *Financial Instruments*, an entity shall apply the version of IAS 39 that is in effect at the entity's reporting date, by reference to the IFRS publication titled *International Financial Reporting Standards IFRS Consolidated without early application*. When IAS 39 is superseded by IFRS 9, an entity shall apply the version of IAS 39 that applied immediately prior to IFRS 9 superseding IAS 39. A copy of that version will be retained for reference on the FRC website (www.frc.org.uk). Entities shall apply the so-called 'EU carve-out of IAS 39', which amended paragraph 81A and related Application Guidance in IAS 39.

154 Paragraph 11.2A is deleted 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. ~~[Deleted]~~~~

155 Paragraph 11.5(f) is amended as follows:

- 11.5 (f) investments in non-derivative instruments that are **equity** of the issuer (eg most **ordinary shares** and certain preference shares) ~~non-convertible preference shares and non-puttable ordinary and preference shares;~~ and

156 Paragraph 11.6(b) is amended as follows:

- 11.6 (b) **derivatives**, eg options, rights, warrants, futures contracts, forward contracts and interest rate swaps ~~that can be settled in cash or by exchanging another financial instrument;~~

157 Paragraph 11.6A is inserted as follows:

11.6A The initial classification of a financial instrument shall take into account the contractual terms including those relating to future variations. Once the classification of a financial instrument is determined at initial recognition, re-assessment is only required subsequently when there has been a modification of contractual terms that is relevant to an assessment of the classification.

158 In paragraph 11.7(d), the term 'fair value' is now shown in bold type and paragraph 11.7 is amended as follows:

11.7 ~~Section 14~~ This section applies to all financial instruments meeting the conditions of paragraph 11.8 except for the following:

- (a) Investments in **subsidiaries, associates and joint ventures** ~~(see that are accounted for in accordance with Sections 9 Consolidated and Separate Financial Statements, Section 14 Investments in Associates or Section and 15 Investments in Joint Ventures).~~

...

- (c) ~~Leases, to which (see Section 20 Leases) applies.~~ However, the **derecognition** requirements in paragraphs 11.33 to 11.35 and impairment accounting requirements in paragraphs 11.21 to 11.26 apply to derecognition and impairment of receivables recognised by a lessor and the derecognition requirements in paragraphs 11.36 to 11.38 apply to payables recognised by a lessee arising under a **finance lease**. Section 12 applies to leases with characteristics specified in paragraph 12.3(f).

- (d) Employers' rights and obligations under employee benefit plans, ~~to which (see Section 28 Employee Benefits) applies,~~ although paragraphs 11.27 to 11.32 the appendix to Section 2 Concepts and Pervasive Principles does apply in determining the **fair value** of plan assets.

...

- (f) **Insurance contracts** (including **reinsurance contracts**) that the entity issues and reinsurance contracts that the entity holds (see **FRS 103 Insurance Contracts**).

- (g) Financial instruments issued by an entity with a **discretionary participation feature** (see FRS 103 ~~Insurance Contracts~~).

- (h) Reimbursement assets ~~accounted for in accordance with (see Section 21 Provisions and Contingencies).~~

...

~~A reporting entity that issues the financial instruments set out in (f) or (g) or holds the financial instruments in (f) is required by paragraph 1.6 to apply FRS 103 to those financial instruments.~~

159 Paragraph 11.8 is amended as follows:

11.8 An entity shall account for the following financial instruments as basic financial instruments in accordance with ~~Section 11~~ this section:

...

(b) a debt instrument (such as an account, note, or loan receivable or payable) that meets the conditions in paragraph 11.9 and is not a derivative financial instrument ~~described in paragraph 11.6(b)~~;

(bA) a debt instrument that, whilst not meeting the conditions in paragraph 11.9, nevertheless is consistent with the description in paragraph 11.9A, and is not a derivative financial instrument;

(c) commitments to receive or make a loan to another entity that:

(i) cannot be settled net in cash; and

(ii) when the commitment is executed, are expected to meet the conditions in paragraph 11.9 or be consistent with the description in paragraph 11.9A; and

(d) an investment in a non-derivative financial instrument that is equity of the issuer (eg most ordinary shares and certain preference shares) ~~non-convertible preference shares and non-puttable ordinary shares or preference shares.~~

160 Paragraph 11.9 is amended as follows:

11.9 A debt instrument that satisfies the following conditions shall be considered a basic financial instrument~~The conditions a debt instrument shall satisfy in accordance with paragraph 11.8(b) are:~~

...

(c) Contractual provisions that ...

The inclusion of contractual terms that, as a result of the early termination, require reasonable ~~the issuer to compensate~~ on the holder ~~for the early termination to be paid by either the holder or the issuer does not, in itself, constitute a breach of this~~ the conditions in paragraph 11.9.

...

161 Paragraph 11.9A is inserted above the examples that follow paragraph 11.9 as follows:

11.9A A debt instrument not meeting the conditions in paragraph 11.9 shall, nevertheless, be considered a basic financial instrument if it gives rise to cash flows on specified dates that constitute repayment of the principal advanced, together with reasonable compensation for the time value of money, credit risk and other basic lending risks and costs (eg liquidity risk, administrative costs associated with holding the instrument and lender's profit margin). Contractual terms that introduce exposure to unrelated risks or volatility (eg changes in equity prices or commodity prices) are inconsistent with this.

162 The following amendments are made to the 'Examples – Debt instruments' that now follow paragraph 11.9A:

1 **A zero-coupon loan**

For a zero-coupon loan, the holder's return is the difference between the nominal value of the loan and the issue price. The holder (lender) receives a fixed amount when the loan matures and the issuer (borrower) repays the loan. The return to the holder meets the condition ~~of~~ in paragraph 11.9(a)(i).

2 **A fixed interest rate loan with an initial tie-in period which reverts to the bank's standard variable interest rate after the tie-in period**

The initial fixed rate is a return permitted by paragraph 11.9(a)(ii). A bank's standard variable interest rate is an observable interest rate and, in accordance with the definition of a variable rate, is a permissible link- and so meets the condition in ~~In accordance with~~ paragraph 11.9(a)(ii) ~~the variable rate should be a positive rate.~~

The variation of the interest rate after the tie-in period is non-contingent and, since the new rate (ie the bank's standard variable rate) meets the conditions of ~~in~~ paragraph 11.9(a), the conditions in paragraph 11.9(a)(i) ~~is-are~~ met.

3A **A loan with interest payable at the bank's standard variable rate plus 1 per cent throughout the life of the loan – the bank's standard variable rate is negative**

As discussed in Example 3, the combination of a positive bank's standard variable rate plus a fixed interest rate of 1 per cent meets the condition in paragraph 11.9(a)(iv). However, the conditions in paragraph 11.9(a) do not explicitly address the case when the bank's standard variable rate is negative and such a rate may not meet the conditions.

The interest rate is consistent with the description in paragraph 11.9A provided the bank's standard variable rate reflects prevailing economic conditions and monetary policies. In this case the negative interest rate represents reasonable compensation for basic lending risks.

4 **A loan with interest payable at the bank's standard variable rate less 1 per cent throughout the life of the loan, with the condition that the interest rate can never fall below 2 per cent**

Paragraph 11.9(a)(i)(1) permits variation of a return to a holder (lender) that is contingent on a change of a contractual variable rate. In this example the contractual variable rate is the bank's standard variable rate. The variation of the return to the holder is between the bank's standard variable rate less 1 and 2 per cent, depending on the bank's standard variable rate. For example, if the bank's standard variable rate is less than 3 per cent, the return to the holder is fixed at 2 per cent; if the bank's standard variable rate is higher than 3 per cent, the return to the holder is the bank's standard variable rate less 1 per cent. The contractual variation meets the condition ~~of~~ in paragraph 11.9(a)(i)(1).

The holder is protected against the risk of losing the principal amount of the loan via the interest rate floor of 2 per cent. The ~~requirement of~~ condition in paragraph 11.9(b) is therefore also met.

4A **A loan with a condition that the interest rate is reset to a higher rate if a set number of payments are missed**

In this case the change in interest rate is contingent on a set number of payments being missed. The missed payments are an indicator of credit deterioration of the issuer. The interest rate reset condition therefore meets the condition in paragraph 11.9(a)(i)(2) (provided the new rate meets the conditions in paragraph 11.9(a)), and the interest rate reset condition would not result in the loan being measured at fair value in accordance with Section 12.

5 **Interest on a loan is referenced to 2 times the bank's standard variable rate**

In accordance with the definition of a variable rate, the contractual interest rate payable can be linked to a single observable interest rate. A bank's standard variable rate is an observable rate and meets the definition of a variable rate, but the rate in this example is 2 times the bank's standard variable rate and therefore the link to the observable interest rate is leveraged. As a result of the leverage,

Therefore, the rate in this example is not a variable rate as described in paragraph 11.9(a).

A leveraged link to an observable interest rate is also inconsistent with the description in paragraph 11.9A because it increases the variability of cash flows so that they do not represent reasonable compensation for the time value of money, credit risk or other basic lending risks and costs. The instrument is measured at fair value in accordance with Section 12.

6 Interest on a loan is charged at 10 per cent less 6-month LIBOR over the life of the loan

The effect of ~~combining deducting a negative~~ variable rate ~~with from~~ a positive fixed rate is that the interest on the loan increases as and when the variable rate decreases and vice versa (so called inverse floating interest).

~~Under~~ In accordance with paragraph 11.9(a)(iv) the combination of positive or negative fixed rate and positive variable rate is a permitted return. The variable rate (6-month LIBOR) meets the definition of a variable rate, as the rate is a quoted interest rate. However, since the variable rate is negative (minus 6-month LIBOR), the rate is in breach of the condition in paragraph 11.9(a)(iv).

The inverse floating interest rate is also inconsistent with the description in paragraph 11.9A because the interest charged increases when reasonable compensation for the time value of money, credit risk or other basic lending risks and costs would decrease, and vice versa. The instrument is measured at fair value in accordance with Section 12.

7 Interest on a GBP denominated mortgage is linked to the UK Land Registry House Price Index (HPI) plus 3 per cent

In accordance with paragraph 11.9(aA) the holder's return may be linked to an index of general price inflation of the currency of the debt instrument. The mortgage is denominated in GBP and a permitted inflation index would be an index that measures general price inflation of goods and services denominated in GBP.

~~As the HPI measures inflation for residential properties in the UK and is not a measure of general price inflation, the return to the holder therefore breaches fails to meet~~ the condition in paragraph 11.9(aA).

The mortgage is also inconsistent with the description in paragraph 11.9A because the linkage to the HPI introduces exposure to a risk that is not consistent with a basic lending arrangement. The instrument is measured at fair value in accordance with Section 12.

8 Early repayment of a loan is not permitted during an initial two-year period, but is thereafter

The terms of a ten-year loan include that it may not be repaid within the initial two-year period, but thereafter it may be repaid at the issuer's option, subject only to the payment of reasonable compensation for early termination.

The early repayment condition is not contingent on future events, but automatically comes into effect with the passage of time, and therefore it meets the condition in paragraph 11.9(c) and would not result in the loan being measured at fair value in accordance with Section 12.

9 Early repayment on subordinated debt contingent on repayment of senior debt

Bank A lends CU10 million to Entity S. Entity S has an option to repay this loan at any time. Entity S's parent, Entity P, also lends it CU10 million. The loans have the same maturity date but the loan from Bank A is senior to the loan from Entity P. Entity S has the right to repay the loan to Entity P at par plus accrued interest at any time after the loan from Bank A has been repaid.

Early repayment terms that are within the control of the issuer are not contingent on future events. Therefore if early repayment of both loans is within Entity S's control then the prepayment option in the loan from Entity P is not considered to be contingent, does not breach the condition in paragraph 11.9(c) and does not therefore cause the loan from Entity P to be measured at fair value in accordance with Section 12.

If the terms were such that early repayment of the loan from Bank A was not within the control of Entity S, then the prepayment option in the loan from Entity P would be contingent on a future event other than those listed in paragraph 11.9(c). The nature of the contingent event may be an indicator when assessing whether a debt instrument is consistent with the description in paragraph 11.9A, but is not in itself a determinative factor. The restriction on the prepayment feature in the loan from Entity P would be consistent with the description in paragraph 11.9A because it exists simply to enforce its subordination relative to another debt instrument. The restriction on Entity S's ability to exercise the prepayment option in the loan from Entity P would not therefore cause the loan from Entity P to be measured at fair value in accordance with Section 12 by Entity S.

10 A loan with interest equal to a percentage of the profits of the issuer

The contractual return is neither a fixed rate or amount, nor a variable rate linked to a single observable interest rate or index of general price inflation. Therefore, the return breaches the conditions in paragraph 11.9(a).

In addition, the loan is inconsistent with the description in paragraph 11.9A because the linkage to the profits of the issuer introduces exposure to a risk that is not consistent with a basic lending arrangement.

The instrument is within the scope of Section 12 and will be measured at fair value by the holder. However, the issuer will need to consider whether measurement at fair value is permitted by the Small Companies Regulations, the Regulations, the Small LLP Regulations or the LLP Regulations (see paragraph A4.12A). These regulations prohibit the measurement of financial liabilities at fair value, except for those held as part of a trading portfolio, those that are derivatives and when permitted by IFRS as adopted in the EU. An example of the latter category is financial liabilities with embedded derivatives that meet certain conditions. However, this would exclude instruments with 'a non-financial variable specific to a party to a contract'.

Therefore, if the issuer concludes that the issuer's profits are 'a non-financial variable specific to a party to a contract' and that the instrument could not otherwise be measured at fair value under IFRS as adopted in the EU, then it must measure the instrument at amortised cost, rather than at fair value, in accordance with paragraph 12.8(c).

163 In paragraph 11.10(b), the term 'profit or loss' is now shown in bold type.

164 Paragraph 11.11 is amended as follows:

11.11 Examples of financial instruments that do not satisfy the conditions in paragraph 11.9 or the description in paragraph 11.9A (and are therefore within the scope of Section 12) include:

- (a) an investment in another entity's equity instruments other than a non-derivative instrument that is equity of the issuer (eg most ordinary shares and certain preference shares) ~~non-convertible preference shares and non-puttable ordinary and preference shares~~ (see paragraph 11.8(d)); and

...

165 Paragraph 11.13 is amended as follows:

11.13 When a financial asset or financial liability is recognised initially, an entity shall measure it at the transaction price (~~including adjusted for **transaction costs**, except in the initial measurement of financial assets and liabilities that are subsequently measured at fair value through profit or loss~~) unless the arrangement constitutes, in effect, a financing transaction. An arrangement constitutes a financing transaction may take place in connection with the sale of goods or services, for example, if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate, for example, providing interest-free credit to a buyer for the sale of goods or an interest-free or below market interest rate loan made to an employee. Except as set out in paragraph 11.13A, if the arrangement constitutes a financing transaction, the entity shall measure the financial asset or financial liability at the **present value** of the future payments discounted at a market rate of interest for a similar debt instrument as determined at initial recognition adjusted for transaction costs.

166 The following amendments are made to the 'Examples – financial assets' that follow paragraph 11.13:

3 For an item sold to a customer on two-years interest-free credit, a receivable is recognised at the present value of the cash receivable discounted using the **prevailing market rate** of interest for a similar receivable. In transactions conducted on an arm's length basis the cash sales price for immediate settlement would normally approximate to the present value. ~~current cash sale price for that item (in financing transactions conducted on an arm's length basis the cash sales price would normally approximate to the present value).~~ If the ~~current cash sale price is not known, it may be estimated as the present value of the cash receivable discounted using the **prevailing market rate(s)** of interest for a similar receivable.~~

167 Paragraph 11.13A and two sequentially numbered footnotes are inserted (subsequent footnotes are renumbered sequentially) below the 'Examples – financial liabilities' as follows:

11.13A As an exception to paragraph 11.13, the following financing transactions may be measured initially at transaction price:

(a) a basic financial liability of a **small entity** that is a loan from a person who is within a director's group of close family members^[*footnote1], when that group contains at least one shareholder^[*footnote2] in the entity; and

(b) a public benefit entity concessionary loan (see paragraph PBE11.1A).

[*footnote1] In this context, a director's group of close family members shall be the director and the close members of the family of that director (see glossary definition of **close members of the family of a person**). This includes a person who is the sole director-shareholder of an entity.

[*footnote2] For small LLPs this shall be read as a member who is a person.

168 Paragraph 11.13B is inserted as follows:

11.13B An entity taking advantage of the exemption in paragraph 11.13A(a) that subsequently ceases to be a small entity may, when remeasuring the financial liability to present value **prospectively** from the first **reporting date** after it ceases to be a small entity, determine the present value on the basis of the facts and circumstances existing at that time or at the date the financing arrangement was entered into.

169 Paragraph 11.13C is inserted as follows:

11.13C An entity that subsequently becomes eligible to take advantage of the exemption in paragraph 11.13A(a) and chooses to do so shall apply the exemption retrospectively.

170 In paragraph 11.14(a), the term 'amortised cost' and in paragraph 11.14(b)(i) the term 'assets' are now shown in bold type and paragraph 11.14 is amended as follows:

11.14 At the end ...

- (a) Debt instruments that meet the conditions in paragraph 11.8(b) or paragraph 11.8(bA) shall be measured at **amortised cost** using the **effective interest method**. Paragraphs 11.15 to 11.20 provide guidance on determining amortised cost using the effective interest method.
 - (i) For a financing transaction measured initially at transaction price in accordance with paragraph 11.13A, the effective interest rate is the interest rate implicit in the contract, which may be zero.
 - (ii) For a non-interest bearing ~~Debt~~ debt instruments that ~~is~~ are payable or receivable within one year on normal business terms, amortised cost shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received (ie net of impairment—see paragraphs 11.21 to 11.26).
 - (iii) For ~~unless the arrangement constitutes, in effect,~~ a financing transaction (see paragraph 11.13) that is not accounted for in accordance with paragraph 11.13A the **effective interest rate** is the ~~If the arrangement constitutes a financing transaction, the entity shall measure the debt instrument at the present value of the future payments discounted at a market rate of interest for a similar debt instrument used to determine initial measurement adjusted to amortise directly attributable transaction costs.~~
- (b) Debt instruments that meet the conditions in paragraph 11.8(b) and commitments to receive a loan and to make a loan to another entity that meet the conditions in paragraph 11.8(c) may upon initial recognition be designated by the entity as at fair value through profit or loss (paragraphs 11.27 to 11.32 the Appendix to Section 2 provides guidance on determining fair value) provided doing so results in more relevant information, because either:
...
- (d) Investments in non-derivative instruments that are equity of the issuer ~~non-convertible preference shares and non-puttable ordinary shares or preference shares~~ shall be measured as follows (paragraphs 11.27 to 11.32 the Appendix to Section 2 provides guidance on determining fair value):

For investments in another **group** entity that are within the scope of this section, the following accounting policy choice shall apply to all investments in a single class, either:

- (i) at cost less impairment;
- (ii) at fair value with changes in fair value recognised in **other comprehensive income** (or profit or loss) in accordance with paragraph 17.15E and 17.15F; or
- (iii) at fair value with changes in fair value recognised in profit or loss.

For all other investments:

(iv) if the instruments shares are **publicly traded** or their fair value can otherwise be measured reliably (see paragraph 2A.4), the investment shall be measured at fair value with changes in fair value recognised in profit or loss; and

(#v) all other such investments shall be measured at cost less impairment.

Impairment or uncollectability must be assessed for financial assets in (a), (c)₁ and (d)(ii) and (d)(v) above. Paragraphs 11.21 to 11.26 provide guidance.

171 In paragraph 11.15, the term 'reporting date' is no longer shown in bold type and the term 'amortisation' is now shown in bold type.

172 In paragraph 11.16, the term 'effective interest rate' is no longer shown in bold type and paragraph 11.16(b) is amended as follows:

11.16 (b) in the absence of capital repayments, the interest expense (income) in a period equals the carrying amount of the financial liability (asset) at the beginning of a period multiplied by the effective interest rate for the period.

173 Paragraph 11.17 is amended as follows:

11.17 When calculating the effective interest rate, an entity shall estimate **cash flows** considering all contractual terms of the financial instrument (eg prepayment, call and similar options) and known credit losses that have been incurred, but it shall not consider possible future credit losses not yet incurred. For variable rate financial assets and variable rate financial liabilities the current market rate of interest or index of general price inflation may be used when estimating the contractual cash flows.

174 Paragraph 11.19 is amended as follows:

11.19 For variable rate financial assets and variable rate financial liabilities, periodic re-estimation of cash flows to reflect changes in market rates of interest or an index of general price inflation alters the effective interest rate. If a variable rate financial asset or variable rate financial liability is recognised initially at an amount equal to the principal receivable or payable at maturity, re-estimating the future interest payments normally has no significant effect on the carrying amount of the asset or liability.

175 Paragraphs 11.27 to 11.32 and the related subheadings are moved to the Appendix to Section 2 as follows:

Fair value

11.27 Paragraph 11.14(b) and other sections of this FRS make reference to the fair value guidance in paragraphs 11.27 to 11.32, including ~~Section 9 Consolidated and Separate Financial Statements, Section 12 Other Financial Instruments Issues, Section 13 Inventories, Section 14 Investments in Associates, Section 15 Investments in Joint Ventures, Section 16 Investment Property, Section 17 Property, Plant and Equipment, Section 18 Intangible Assets other than Goodwill, Section 27 Impairment of Assets, Section 28 Employee Benefits (in relation to plan assets) and Section 34 Specialised Activities.~~ In applying the fair value guidance to assets or liabilities accounted for in accordance with those sections, the reference to ordinary shares or preference shares in these paragraphs should be read to include the types of assets and liabilities addressed in those sections.

~~Paragraph 11.14(d)(i) requires an investment in non-convertible preference shares and non-puttable ordinary shares or preference shares to be measured at fair value if the shares are publicly traded or if their fair value can otherwise be measured reliably. An entity shall use the following hierarchy to estimate the fair value of the shares:~~

- ~~(a) The best evidence of fair value is a quoted price for an identical asset in an **active market**. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.~~
- ~~(b) When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (eg because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.~~
- ~~(c) If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.[Moved to paragraph 2A.1]~~

Valuation technique

- ~~11.28 Valuation techniques include using recent arm's length market transactions for an identical asset between knowledgeable, willing parties, if available, reference to the current fair value of another asset that is substantially the same as the asset being measured, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the asset and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique.[Moved to paragraph 2A.2]~~
- ~~11.29 The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity determined inputs. A valuation technique would be expected to arrive at a reliable estimated of the fair value if:
 - ~~(a) it reasonably reflects how the market could be expected to price the asset; and~~
 - ~~(b) the inputs to the valuation technique reasonably represent market expectations and measures of the risk return factors inherent in the asset.[Moved to paragraph 2A.3]~~~~

No active market

- ~~11.30 The fair value of an asset that does not have a quoted market price in an active market is reliably measurable if:
 - ~~(a) the variability in the range of reasonable fair value estimates is not significant for that asset; or~~
 - ~~(b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.[Moved to paragraph 2A.4]~~~~

- 11.31 ~~There are many situations in which the variability in the range of reasonable fair value estimates of assets that do not have a quoted market price is likely not to be significant. Normally it is possible to estimate the fair value of ordinary shares or preference shares that an entity has acquired from an outside party. However, if the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, an entity is precluded from measuring the ordinary shares or preference shares at fair value.[Moved to paragraph 2A.5]~~
- 11.32 ~~If a reliable measure of fair value is no longer available for an asset measured at fair value (eg ordinary shares or preference shares measured at fair value through profit or loss), its carrying amount at the last date the asset was reliably measurable becomes its new cost. The entity shall measure the asset at this cost amount less impairment until a reliable measure of fair value becomes available.[Moved to paragraph 2A.6]~~

176 Paragraph 11.33(c) is amended as follows:

- 11.33 (c) the entity, despite having retained some, but not substantially all, significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity shall:
- (i) ...

177 Paragraph 11.39 is deleted as follows:

- 11.39 ~~The disclosures below make reference to disclosures for certain financial 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 as at fair value through profit or loss (in accordance with paragraph 11.14(b)) will not have any financial instruments measured at fair value through profit or loss and hence will not need to provide such disclosures.[Deleted]~~

178 Paragraph 11.40 is amended as follows:

- 11.40 In accordance with paragraph 8.5, an entity shall disclose, ~~in the summary of its~~ significant accounting policies, the measurement basis (or bases) used for financial instruments and the other accounting policies used for financial instruments that are relevant to an understanding of the **financial statements**.

179 Paragraph 11.41 is deleted and replaced with the following:

- * 11.41 An entity shall disclose separately the carrying amounts at the reporting date of financial assets and financial liabilities measured at fair value through profit or loss. This disclosure may be made separately by category of financial instrument. Financial liabilities that are not held as part of a trading portfolio and are not derivatives shall be shown separately.

180 Paragraph 11.42 is amended as follows:

- 11.42 An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its **financial position** and **performance**. For example, for long-term debt such information would normally include the terms and conditions of the debt instrument (such as interest rate, maturity, repayment schedule, and restrictions that the debt instrument imposes on the entity). When the risks arising from financial instruments are particularly significant to the business (for example because they are principal risks for the

entity), additional disclosure may be required. Paragraphs 34.19 to 34.30, which set out disclosure requirements for **financial institutions**, include examples of disclosure requirements for risks arising from financial instruments that may be relevant in such cases.

181 In paragraph 11.43, the term 'active market' is now shown in bold type.

182 Paragraph 11.44 is amended as follows:

11.44 If a reliable measure of fair value is no longer available for ~~ordinary or preference shares~~ any financial instruments that would otherwise be required to be measured at fair value through profit or loss in accordance with this FRS, the entity shall disclose that fact and the carrying amount of those financial instruments.

183 Paragraph 11.48 is amended as follows:

11.48 An entity shall ...

(a) income, expense, net ...

...

(iii) financial assets measured at amortised cost; ~~and~~

(iv) financial liabilities measured at amortised cost; and

(v) when an entity has made the accounting policy choice in paragraphs 11.2(c) and 12.2(c) to apply the recognition and measurement provisions of IFRS 9, financial instruments measured at fair value through other comprehensive income.

...

(c) the amount of any impairment loss for each class of financial asset. A class of financial asset is a grouping that is appropriate to the nature of the information disclosed and that takes into account the characteristics of the financial assets. When an entity has made the accounting policy choice in paragraphs 11.2(c) and 12.2(c) to apply the recognition and measurement provisions of IFRS 9, the groupings shall be based on whether the amount is equal to 12-month expected credit risk losses, equal to lifetime expected credit losses or financial assets that are purchased or originated credit-impaired.

184 In paragraph 11.48A, the term 'Regulations' is now shown in bold type.

185 Paragraph 11.48A(a) is amended as follows:

* 11.48A (a) For a financial liability designated as at fair value through profit or loss, the amount of ...

186 In paragraph 11.48B, the term 'financial institution' is no longer shown in bold type, and the subheading (not underlined) above paragraph 11.48B and paragraph 11.48B are amended as follows:

Financial institutions and retirement benefit plans

11.48B A financial institution (~~other than a retirement benefit plan~~) shall, in addition, apply the requirements of paragraph 34.17.

187 In paragraph 11.48C, the term 'retirement benefit plan' is now shown in bold type.

Amendments to Section 12 *Other Financial Instruments Issues*

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

189 Paragraph 12.1 is amended as follows:

12.1 ~~This section and Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instruments Issues* together deal with~~ set out the requirements for the recognition~~ing~~, derecognition~~ing~~, measurement~~ing~~ and disclosure~~ing~~ of financial instruments (financial assets and financial liabilities). Section 11 applies to basic financial instruments and is relevant to all entities. ~~Section 12~~ This section applies to other, more complex financial instruments and transactions. If an entity enters into only basic financial instrument transactions then ~~Section 12~~ this section is not applicable. However, even entities with only basic financial instruments shall consider the scope of ~~Section 12~~ this section to ensure they are exempt that this section does not apply.

190 Paragraph 12.2 is amended and a sequentially numbered footnote is inserted (subsequent footnotes are renumbered sequentially) as follows:

12.2 An entity shall ...

- (b) the **recognition** and **measurement** provision of IAS 39 *Financial Instruments: Recognition and Measurement* (as adopted for use in the EU)^[*footnote], the disclosure requirements of Sections 11 and 12 and the presentation requirements of paragraphs 11.38A ~~or and~~ 12.25B; or
- (c) the recognition and measurement provisions of IFRS 9 *Financial Instruments* (as adopted in the EU) 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 and~~ 12.25B;

...

^[*footnote] Until IAS 39 is superseded by IFRS 9 *Financial Instruments*, an entity shall apply the version of IAS 39 that is in effect at the entity's reporting date, by reference to the IFRS publication titled *International Financial Reporting Standards IFRS Consolidated without early application*. When IAS 39 is superseded by IFRS 9, an entity shall apply the version of IAS 39 that applied immediately prior to IFRS 9 superseding IAS 39. A copy of that version will be retained for reference on the FRC website (www.frc.org.uk). Entities shall apply the so-called 'EU carve-out of IAS 39', which amended paragraph 81A and related Application Guidance in IAS 39.

191 Paragraph 12.2A is deleted 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 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. [Deleted]~~

192 Paragraph 12.3 is amended as follows:

12.3 ~~Section 12~~ This section applies to all financial instruments except ~~for the following~~:

...

(d) **Insurance contracts** (including **reinsurance contracts**) that the entity issues and reinsurance contracts that the entity holds (see **FRS 103 Insurance Contracts**).

...

(k) Reimbursement assets ~~accounted for in accordance with (see Section 21 Provisions and Contingencies)~~.

...

~~A reporting entity that issues the financial instruments set out in (d) or (j) or holds the financial instruments in (d) is required by paragraph 1.6 to apply FRS 103 to those financial instruments.~~

193 In paragraph 12.7, the terms 'fair value', 'profit or loss' and 'asset' are now shown in bold type and the paragraph is amended as follows:

12.7 When a financial asset or financial liability is recognised initially, an entity shall measure it at its **fair value**, which is normally the transaction price (~~including adjusted for transaction costs~~, except in the initial measurement of financial assets and liabilities that are subsequently measured at fair value through **profit or loss**). If payment for an **asset** is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate, the entity shall initially measure the asset at the **present value** of the future payments discounted at a market rate of interest for a similar debt instrument as determined at initial recognition adjusted for transaction costs.

194 In paragraph 12.8(c), the terms 'Small Company Regulations', 'Regulations', 'Small LLP Regulations', 'LLP Regulations', and 'amortised cost' are now shown in bold type and paragraph 12.8 is amended as follows:

12.8 At the end ...

(a) investments in ~~equity non-derivative instruments that are equity of the issuer~~ that are not **publicly traded** and whose fair value cannot otherwise be measured reliably and contracts linked to such instruments that, if exercised, will result in delivery of such instruments, shall be measured at cost less impairment;

(b) hedging instruments in a designated hedging relationship accounted for in accordance with paragraph 12.23 or 12.24; and

(c) ...

195 Paragraph 12.9 is amended as follows:

12.9 If a reliable measure of fair value is no longer available for an ~~equity instrument (or a contract linked to such an instrument)~~ financial asset or financial liability that is not publicly traded but is measured at fair value through profit or loss, its fair value at the last date the instrument was reliably measureable is treated as the cost of the instrument. The entity shall measure the instrument at this cost amount less impairment until a reliable measure of fair value becomes available.

196 Paragraph 12.10 is amended as follows:

12.10 An entity shall apply the guidance on determining fair value in the Appendix to Section 2 Concepts and Pervasive Principles ~~paragraphs 11.27 to 11.32~~ to fair

value measurements in accordance with this section as well as for fair value measurements in accordance with Section 11.

197 Paragraph 12.12 is deleted as follows:

12.12 ~~An entity shall not include transaction costs in the initial measurement of financial assets and liabilities that will be measured subsequently at fair value through profit or loss.~~[Deleted]

198 Paragraph 12.15A and a sequentially numbered footnote are inserted (subsequent footnotes are renumbered sequentially) as follows:

12.15A For a fair value hedge of interest rate exposure of a portfolio of financial assets or financial liabilities (and only for such a hedge), an entity may apply the hedge accounting requirements in IAS 39^[*footnote] instead of those in this FRS. In that case, the entity must also apply the specific requirements for the fair value hedge accounting for a portfolio hedge of interest rate risk and designate as the hedged item a portion that is a currency amount rather than the individual assets or liabilities (see paragraphs 81A, 89A and AG114 to AG132 of IAS 39).

[*footnote] Entities shall apply the so-called 'EU carve-out of IAS 39', which amended paragraph 81A and related Application Guidance in IAS 39.

199 Paragraph 12.17A is amended as follows:

12.17A An instrument (or a combination of such instruments) meeting the conditions of paragraph 12.17, may only be a hedging instrument:

- (a) in its entirety; ~~or~~
- (b) by designating a proportion of such an instrument or a proportion of a combination of such instruments, eg 50 per cent of the nominal amount of the instrument; or
- (c) by separating the spot risk element of a foreign currency contract and excluding the forward element, or by separating the **intrinsic value** of an option and excluding the change in time value.

200 Paragraph 12.17B is amended as follows:

12.17B For a hedge of foreign currency risk, the foreign currency risk component of a financial instrument, provided that it is not a **derivative** financial instrument ~~as described in paragraph 11.6(b)~~, may be a hedging instrument.

201 In paragraph 12.20(b), the term 'carrying amount' is now shown in bold type.

202 In paragraph 12.21, the term 'statement of financial position' is now shown in bold type.

203 In paragraph 12.22, the terms 'amortisation' and 'effective interest rate' are now shown in bold type.

204 In paragraph 12.24, the term 'foreign operation' is now shown in bold type.

205 In paragraph 12.25, the term 'prospectively' is now shown in bold type.

206 In paragraph 12.25B, the term 'statement of financial position' is no longer shown in bold type.

207 In paragraph 12.26, the term 'derivative' is no longer shown in bold type.

208 Paragraph 12.29(e) is amended as follows:

- 12.29 * (e) the amount, if any, of any hedge ineffectiveness ~~excess of the fair value of the hedging instrument over the change in fair value of the expected cash flows that was~~ recognised in profit or loss for the period.

209 The leading sentence of Appendix to Section 12 is amended as follows:

Examples of hedge accounting

This appendix accompanies, but is not part of, Section 12. It provides guidance for applying the requirements of paragraphs 12.15 and 12.16 to 12.25A.

210 Paragraph 12A.2 is amended as follows:

12A.2 Hedge accounting:

Note that there are no hedge accounting entries on 9 June 20X5.

31 December 20X5

- (1) In accordance with paragraph 12.20(a) the fair value gain of CU100,000 on the forward currency contract is recognised in profit or loss.
- (2) In accordance with paragraph 12.20(b) the cumulative hedging loss of CU103,000 on the commitment is ~~recorded~~ recognised as a liability with a corresponding loss recognised in profit or loss.

...

211 Paragraph 12A.7 is amended as follows:

12A.7 ...

31 December 20X6

A component of equity is adjusted to the lower of (in absolute amounts) the cumulative exchange loss on the loan of CU120,000 and the cumulative exchange difference on the net investment of CU102,500.

The amount ~~recorded~~ recognised in equity changes from CU55,000 to (CU102,500), a change of (CU157,500). In accordance with paragraph 12.24(a) a loss of CU157,500 on the loan is recognised in other comprehensive income. The remainder of the loss of CU22,500 is ~~recorded~~ recognised in profit or loss, as required by paragraph 12.24(b).

Amendments to Section 13 *Inventories*

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

213 Paragraph 13.1 is deleted as follows:

13.1 ~~This section sets out the principles for recognising and measuring **inventories**. Inventories are **assets**:~~

~~(a) held for sale in the ordinary course of business;~~

~~(b) in the process of production for such sale; or~~

~~(c) in the form of materials or supplies to be consumed in the production process or in the rendering of services. [Deleted]~~

214 In paragraph 13.2 the term 'inventories' is now shown in bold type and the paragraph is amended as follows:

13.2 This section applies to all **inventories**, except:

(a) ...

215 In paragraph 13.7, the term 'borrowing costs' is now shown in bold type.

216 In paragraph 13.21, the term 'asset' is now shown in bold type.

217 Paragraph 13.22(c) is deleted as follows:

13.22 (c) ~~the amount of inventories recognised as an expense during the period [deleted];~~

Amendments to Section 14 *Investments in Associates*

218 The following paragraphs set out the amendments to Section 14 *Investments in Associates* (deleted text is struck through, inserted text is underlined).

219 Paragraph 14.1 is amended as follows:

- 14.1 This section applies to ~~accounting for investments in~~ associates in:
- (a) consolidated financial statements; ~~and This section also applies to accounting for investments in associates in~~
 - (b) the individual financial statements of an investor that is not a **parent**.

An entity that is a parent shall account for its investments in associates in its **separate financial statements** in accordance with paragraphs 9.26 and 9.26A, as appropriate.

220 In paragraphs 14.4(c) and (d), the terms 'fair value' and 'profit or loss' are now shown in bold type and the paragraphs are amended as follows:

- 14.4 (c) ~~the at fair value model~~ in accordance with paragraphs 14.9 to 14.10A; or
- (d) at fair value with changes in fair value recognised in **profit or loss** (~~paragraphs 11.27 to 11.32 provide guidance on fair value~~).

The Appendix to Section 2 *Concepts and Pervasive Principles* provides guidance on determining fair value.

221 In paragraph 14.4B, the terms 'fair value' and 'profit or loss' are no longer shown in bold type.

222 In paragraph 14.8(i), the term 'liabilities' is now shown in bold type and the term 'other comprehensive income' is no longer shown in bold type.

223 Paragraph 14.9 and the subheading above it (not underlined) are amended as follows:

Fair value model in accordance with paragraph 14.4(c)

- 14.9 When an investment in an associate is recognised initially, an investor that is not a parent, that chooses to adopt ~~the fair value model~~ the accounting policy set out in paragraph 14.4(c), shall measure it at the transaction price.

224 In paragraph 14.10, the term 'reporting date' is now shown in bold type and the paragraph is amended as follows:

- 14.10 At each **reporting date**, ~~an investor that is not a parent, that chooses to adopt the fair value model, shall measure its investments in associates~~ shall be measured at fair value, with using the fair value guidance in the Appendix to Section 2. Changes in fair value shall be recognised in other comprehensive income (or profit or loss) in accordance with paragraphs 17.15E and 17.15F, using the fair value guidance in paragraphs 11.27 to 11.32. An investor using the fair value model shall use the cost model for any investment in an associate for which it is impracticable to measure fair value reliably without undue cost or effort.

225 Paragraph 14.11 and the subheading above it are deleted as follows:

~~Presentation in individual and consolidated financial statements~~

14.11 ~~Unless otherwise required under the Regulations, a investor shall classify investments in associates as **fixed assets**.~~[Deleted]

226 Paragraph 14.15 is amended as follows:

14.15 For investments in associates accounted for in accordance with ~~the fair value model~~ paragraph 14.4(c), an investor shall make the disclosures required by paragraphs 11.43 and 11.44.

Amendments to Section 15 *Investments in Joint Ventures*

227 The following paragraphs set out the amendments to Section 15 *Investments in Joint Ventures* (deleted text is struck through, inserted text is underlined).

228 In paragraph 15.1, the terms 'jointly controlled operations', 'jointly controlled assets' and the second mention of the term 'separate financial statements' are no longer shown in bold type and the paragraph is amended as follows:

15.1 This section applies to ~~accounting for~~:

(a) investments in **joint ventures** in:

(i) ~~consolidated financial statements~~; and

(ii) ~~for investments in joint ventures in the individual financial statements~~ of a venturer that is not a **parent**; and

(b) ~~for investments in jointly controlled operations and jointly controlled assets in the separate financial statements~~ of a venturer that is a parent.

A venturer that is a parent shall account for interests in **jointly controlled entities** in its separate financial statements in accordance with paragraphs 9.26 and 9.26A, as appropriate.

229 In paragraphs 15.9(c) and (d), the terms 'fair value' and 'profit or loss' are now shown in bold type and the paragraphs are amended as follows:

15.9 (c) ~~the at fair value model~~ in accordance with paragraphs 15.14 to 15.15A; or

(d) at fair value with changes in fair value recognised in **profit or loss** (~~paragraphs 11.27 to 11.32 provide guidance on fair value~~).

The Appendix to Section 2 *Concepts and Pervasive Principles* provides guidance on determining fair value.

230 In paragraph 15.9B, the terms 'fair value' and 'profit or loss' are no longer shown in bold type and the paragraph is amended as follows:

15.9B A venturer that is a parent, shall measure its investments in jointly controlled entities **held as part of an investment portfolio** at fair value with changes in fair value recognised in profit or loss in the consolidated financial statements.

231 In paragraph 15.13, the terms 'significant influence' and 'associate' are now shown in bold type.

232 Paragraph 15.14 and the subheading above it (not underlined) are amended as follows:

Fair value ~~model~~ in accordance with paragraph 15.9(c)

15.14 When an investment in a jointly controlled entity is recognised initially, a venturer that is not a parent, that chooses to adopt ~~the fair value model~~ the **accounting policy** set out in paragraph 15.9(c), shall measure it at transaction price.

233 In paragraph 15.15, the term 'reporting date' is now shown in bold type and the paragraph is amended as follows:

15.15 At each **reporting date**, ~~a venturer that is not a parent, that chooses to adopt the fair value model, shall measure its investments in jointly controlled entities shall be measured~~ at fair value using the fair value guidance in the Appendix to Section 2 paragraphs 11.27 to 11.32. Changes in fair value shall be recognised

in **other comprehensive income** (or profit or loss) in accordance with paragraphs 17.15E and 17.15F. ~~A venturer using the fair value model shall use the cost model for any investment in a jointly controlled entity for which it is **impracticable** to measure fair value reliably without undue cost or effort.~~

234 Paragraph 15.16 is amended as follows:

15.16 When a venturer contributes or sells assets to a joint venture, **recognition** of any portion of a **gain** or loss from the transaction shall reflect the substance of the transaction. While the assets are retained by the joint venture, and provided the venturer has transferred the significant risks and rewards of ownership, the venturer shall recognise only that portion of the gain or loss that is attributable to the interests of the other venturers in its consolidated financial statements. The venturer shall recognise the full amount of any loss when the contribution or sale provides evidence of an impairment loss.

235 Paragraph 15.17 is amended as follows:

15.17 When a venturer purchases an assets from a joint venture, the venturer shall not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent party or otherwise realises its **carrying amount**. A venturer shall recognise its share of the losses resulting from these transactions in the same way as profits except that losses shall be recognised immediately when they represent an impairment loss.

236 In paragraph 15.18, the term 'significant influence' is no longer shown in bold type.

237 In paragraph 15.19(a), the term 'accounting policy' is no longer shown in bold type.

238 In paragraph 15.19(b), the term 'carrying amount' is no longer shown in bold type.

239 Paragraph 15.21 is amended as follows:

15.21 For jointly controlled entities accounted for in accordance with ~~the fair value model~~ paragraph 15.9(c), the venturer shall make the disclosures required by paragraphs 11.43 and 11.44.

240 In paragraph 15.21A, the term 'subsidiaries' is now shown in bold type.

Amendments to Section 16 *Investment Property*

241 The following paragraphs set out the amendments to Section 16 *Investment Property* (deleted text is struck through, inserted text is underlined).

242 Paragraph 16.1 is split into two paragraphs and amended as follows:

16.1 This section applies to ~~accounting for investments in land or buildings that meet the definition of investment property in paragraph 16.2 and some property interests held by a lessee under an operating lease (see paragraph 16.3) that are treated~~ classified as like investment property (see paragraph 16.3). ~~Only investment property whose fair value can be measured reliably without undue cost or effort, on an on-going basis is accounted for in accordance with this section at fair value through profit or loss.~~

16.1A ~~This section does not apply to All other investment property rented to another group entity and transferred to property, plant and equipment (see paragraph 16.4A) using the cost model in Section 17 Property, Plant and Equipment and remains within the scope of Section 17 unless a reliable measure of fair value becomes available and it is expected that fair value will be reliably measurable on an on-going basis.~~

243 Paragraph 16.2 and the subheading above it are deleted as follows:

Definition and initial recognition of investment property

16.2 ~~Investment property is property (land or a building, or part of a building, or both) held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for:~~

~~(a) use in the production or supply of goods or services or for administrative purposes; or~~

~~(b) sale in the ordinary course of business. [Deleted]~~

244 The subheading (underlined) is inserted above paragraph 16.3 and paragraph 16.3 is amended as follows:

Classification

16.3 A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property using this section if, and only if, the property would otherwise meet the definition of an investment property and the lessee can measure the **fair value** of the property interest ~~without undue cost or effort~~ on an on-going basis. The Appendix to Section 2 Concepts and Pervasive Principles provides guidance on determining fair value. This classification alternative is available on a property-by-property basis.

245 Paragraph 16.3A is amended as follows:

16.3A Property held primarily for the provision of social benefits, eg social housing held by a **public benefit entity**, shall not be classified as investment property and shall be accounted for as property, plant and equipment in accordance with Section 17 Property, Plant and Equipment.

246 Paragraph 16.4 is amended as follows:

16.4 Mixed use property shall be separated between investment property and property, plant and equipment if the resulting portions could be sold separately or

leased out separately under a **finance lease**. However, if the fair value of the investment property component cannot be measured reliably ~~without undue cost or effort~~, the entire property shall be accounted for as property, plant and equipment in accordance with Section 17. The Appendix to Section 2 provides guidance on determining fair value.

247 The subheading (underlined) and paragraphs 16.4A and 16.4B are inserted as follows:

Investment property rented to another group entity

16.4A An entity that rents investment property to another group entity shall account for those properties either:

(a) at fair value with changes in fair value recognised in **profit or loss** in accordance with this section (the Appendix to Section 2 provides guidance on determining fair value); or

(b) by transferring them to property, plant and equipment and applying the cost model in accordance with Section 17.

An entity choosing to apply (b) above shall provide all the disclosures required by Section 17, other than those related to fair value measurement.

16.4B When only part of a property is rented to another group entity and the remainder is used for other purposes (such as being rented to an external third party or owner-occupied), paragraph 16.4A only applies to the component of that property that is rented to another group entity.

248 Paragraph 16.5 and the subheading above it are amended as follows:

Initial measurement at initial recognition

16.5 An entity shall measure an investment property at its cost at initial **recognition**. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure such as legal and brokerage fees, property transfer taxes and other transaction costs. If payment is deferred beyond normal credit terms, the cost is the **present value** of all future payments. An entity shall determine the cost of a self-constructed investment property in accordance with paragraphs 17.10 to 17.14.

249 Paragraph 16.7 and the subheading above it are amended as follows:

Subsequent measurement after recognition

16.7 An investment property whose fair value can be measured reliably ~~without undue cost or effort~~ shall be measured at fair value at each **reporting date** with changes in fair value recognised in profit or loss. If a property interest held under a lease is classified as an investment property, the item accounted for at fair value is that interest and not the underlying property. The Appendix to Section 2 Paragraphs 11.27 to 11.32 provides guidance on determining fair value. An entity shall account for all other investment property as property, plant and equipment using the cost model in Section 17.

250 Paragraph 16.8 is deleted as follows:

16.8 ~~If a reliable measure of fair value is no longer available without undue cost or effort for an item of investment property measured using the fair value model, the entity shall thereafter account for that item as property, plant and equipment in accordance with Section 17 until a reliable measure of fair value becomes available. The **carrying amount** of the investment property on that date~~

becomes its cost under Section 17. Paragraph 16.10(e)(iii) requires disclosure of this change. It is a change of circumstances and not a change in **accounting policy**.~~[Deleted]~~

251 Paragraph 16.9 is amended as follows:

16.9 ~~Other than as required by paragraph 16.8, Unless otherwise required by this FRS,~~ an entity shall transfer a property to, or from, investment property only when the property first meets, or ceases to meet, the definition of investment property.

252 Paragraphs 16.9A to 16.9C are inserted as follows:

16.9A When a property ceases to meet the definition of an investment property (for example it becomes owner-occupied or **inventory**), the **deemed cost** for subsequent accounting as property, plant and equipment (in accordance with Section 17) or inventory (in accordance with Section 13 *Inventories*) shall be its fair value at the date of change in use.

16.9B If an owner-occupied property becomes an investment property, an entity shall apply Section 17 up to the date of change in use. The entity shall treat any difference at that date between the **carrying amount** of the property in accordance with Section 17 and its fair value in the same way as a revaluation in accordance with Section 17.

16.9C For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

253 In paragraph 16.10(e)(ii), the term 'gains' is now shown in bold and in paragraph 16.10(e)(iv), the term 'inventories' is no longer shown in bold type. The rest of paragraph 16.10 is amended as follows:

16.10 An entity shall disclose the following ~~for all investment property accounted for at fair value through profit or loss (paragraph 16.7):~~

...

(e) a reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing separately:

...

(iii) transfers to and from property, plant and equipment ~~when a reliable measure of fair value is no longer available without undue cost or effort (see paragraphs 16.89 to 16.9B);~~

(iv) transfers to and from inventories ~~and owner-occupied property (see paragraphs 16.9, 16.9A and 16.9C); and~~

...

254 Paragraph 16.11 is amended as follows:

16.11 In accordance with Section 20 ~~Leases~~, an entity shall provide all relevant disclosures required in that section about leases into which it has entered.

Amendments to Section 17 Property, Plant and Equipment

255 The following paragraphs set out the amendments to Section 17 *Property, Plant and Equipment* (deleted text is struck through, inserted text is underlined).

256 Paragraph 17.1 is amended as follows:

- 17.1 This section applies to ~~the accounting for:~~
- (a) property, plant and equipment and to investment property whose fair value cannot be measured reliably without undue cost or effort. Section 16 Investment Property applies to investment property whose fair value can be measured reliably without undue cost or effort; and
 - (b) investment property rented to another group entity when the reporting entity chooses to use the cost model in this section as permitted by paragraph 16.4A.

257 Paragraph 17.2 is deleted as follows:

- 17.2 ~~Property, plant and equipment are tangible assets that:~~
- (a) ~~are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and~~
 - (b) ~~are expected to be used during more than one period; [Deleted]~~

258 Paragraph 17.3 is amended as follows:

- 17.3 ~~Property, plant and equipment~~ This section does not include apply to:
- (a) ...

259 Paragraph 17.5 is amended as follows:

- 17.5 ~~Items such as sSpare parts, stand-by equipment and servicing equipment are recognised in accordance with this section when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory, usually carried as inventory and recognised in profit or loss as consumed. However, major spare parts and stand-by equipment are property, plant and equipment when an entity expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are considered property, plant and equipment.~~

260 Paragraph 17.6 is amended as follows:

- 17.6 Parts of some items of property, plant and equipment may require replacement at regular intervals (eg the roof of a building). An entity shall add to the **carrying amount** of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the entity. The carrying amount of those parts that are replaced is derecognised in accordance with paragraphs 17.27 to 17.30 regardless of whether the replaced parts had been depreciated separately. If it is impracticable for an entity to identify the carrying amount of the replaced part, it may be estimated using the current cost of the replacement part as a proxy for the original cost of the replaced part and adjusting it for depreciation and impairment. Paragraph 17.16 provides that if the major components of an item of property, plant and equipment have significantly different patterns of consumption of economic benefits, an entity shall allocate the initial cost of the

asset to its major components and depreciate each such component separately over its **useful life**.

261 The subheading above paragraph 17.9 is amended as follows:

Initial measurement at initial recognition

17.9 An entity shall ...

262 In paragraph 17.11(c), the term 'business' is now shown in bold type.

263 In paragraph 17.12, the term 'profit or loss' is now shown in bold type.

264 In paragraph 17.14, the term 'fair value' is now shown in bold type.

265 Paragraph 17.15 and the subheading above it are amended as follows:

Subsequent measurement after initial recognition

17.15 An entity shall measure all items of property, plant and equipment after initial recognition using the cost model (in accordance with paragraph 17.15A) or the revaluation model (in accordance with paragraphs 17.15B to 17.15F). Where the revaluation model is selected, this shall be applied to all items of property, plant and equipment in the same **class of asset** (ie having a similar nature, function or use in the business). An entity shall recognise the costs of day-to-day servicing of an item of property, plant and equipment in profit or loss in the period in which the costs are incurred.

266 In paragraph 17.15A, the term 'depreciation' is no longer shown in bold type.

267 Paragraph 17.15C is amended as follows:

17.15C The fair value of land and buildings is usually determined from market-based evidence by appraisal that is normally undertaken by professionally qualified valuers. The fair value of items of plant and equipment is usually their market value determined by appraisal. The Appendix to Section 2 Concepts and Pervasive Principles Paragraphs 11.27 to 11.32 provides further guidance on determining fair value.

268 In paragraph 17.15F, the term 'gains' is now shown in bold type and the term 'profit or loss' is no longer shown in bold type.

269 Paragraph 17.30A is inserted below the subheading 'Disclosures' as follows:

17.30A The following disclosures (other than those related to fair value measurement) are relevant to an entity that chooses to measure investment properties rented to another group entity under the cost model in this section, as permitted by paragraph 16.4A(b).

270 In paragraph 17.31(a), the term 'measurement' is now shown in bold type.

271 Paragraph 17.31(e)(v) is amended as follows:

17.31 (e) (v) transfers to or from investment property ~~if a reliable measure of fair value becomes available or unavailable~~ (see paragraphs 16.89 to 16.9C);

272 Paragraph 17.31A is inserted as follows:

17.31A An entity shall disclose the carrying amount at the end of the reporting period of investment property rented to another group entity, when the entity has chosen to account for such properties using the cost model in accordance with this section (see paragraph 16.4A).

273 Paragraph 17.32 is amended as follows:

17.32 ~~The~~ An entity shall also disclose the following:

(a) ...

Amendments to Section 18

Intangible Assets other than Goodwill

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

275 In paragraph 18.1, the term 'business' is now shown in bold type, and the paragraph is amended as follows:

18.1 This section applies to ~~accounting for all intangible assets other than~~ except for **goodwill** (see Section 19 *Business Combinations and Goodwill*) and intangible assets held by an entity for sale in the ordinary course of **business** (see Section 13 *Inventories* and Section 23 *Revenue*).

276 Paragraph 18.1A is moved to paragraph 18.3(d) as follows:

18.1A ~~This section does not apply to the accounting for **deferred acquisition costs** and intangible assets arising from contracts in the scope of FRS 103 *Insurance Contracts*, except for the disclosure requirements in this section which apply to intangible assets arising from contracts in the scope of FRS 103.~~ [Moved to paragraph 18.3(d)]

277 Paragraph 18.2 is deleted as follows:

18.2 ~~An intangible asset is an identifiable non-monetary asset without physical substance. Such an asset is identifiable when:~~

- ~~(a) it is separable, ie capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or~~
- ~~(b) it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.~~ [Deleted]

278 Paragraph 18.3 is amended as follows:

18.3 This section does not apply to the following:

...

- ~~(b) **heritage assets** (see Section 34 *Specialised Activities*); or~~
- ~~(c) exploration for and evaluation of mineral resources rights and mineral reserves, such as oil, natural gas and similar non-regenerative resources (see Section 34) and expenditure on the development and extraction of such resources; or~~
- ~~(d) **deferred acquisition costs** and intangible assets arising from contracts in the scope of **FRS 103**, except for the disclosure requirements in this section which apply to intangible assets arising from contracts within the scope of **FRS 103**.~~

279 In paragraph 18.4, the term 'asset' is now shown in bold type.

280 Paragraph 18.8 is amended as follows:

18.8 ~~An~~ Intangible assets acquired in a **business combination** ~~is normally shall be recognised as an asset separately from goodwill when all the following three conditions are satisfied: because when its **fair value** can be measured with sufficient **reliability**.~~ However, an intangible asset acquired in a business combination is not recognised when it arises from legal or other contractual rights

~~and there is no history or evidence of exchange transactions for the same or similar assets, and otherwise estimating fair value would be dependent on immeasurable variables.~~

- (a) the recognition criteria set out in paragraph 18.4 are met;
- (b) the intangible asset arises from contractual or other legal rights; and
- (c) the intangible asset is separable (ie capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged either individually or together with a related contract, asset or **liability**).

An entity may additionally choose to recognise intangible assets separately from goodwill for which condition (a) and only one of (b) or (c) above is met. When an entity chooses to recognise such additional intangible assets, this policy shall be applied to all intangible assets in the same class (ie having a similar nature, function or use in the business), and must be applied consistently to all business combinations. Licences are an example of a category of intangible asset that may be treated as a separate class, however, further subdivision may be appropriate, for example, where different types of licences have different functions within the business.

281 In paragraph 18.11, the term 'fair value' is now shown in bold type.

282 Paragraph 18.12 is amended as follows:

- 18.12 If an intangible asset is acquired by way of a grant, the cost of that intangible asset is its fair value at the date the grant is received or receivable in accordance with Section 24 *Government Grants* in respect of government grants or, for **public benefit entities**, Section 34 *Specialised Activities* in respect of incoming resources from **non-exchange transactions** as appropriate.

283 In paragraph 18.18, the terms 'class of asset' and 'impairment losses' are now shown in bold type and the paragraph and the subheading above it are amended as follows:

Subsequent measurement after initial recognition

- 18.18 An entity shall measure intangible assets after initial recognition using the cost model (in accordance with paragraph 18.18A) or the revaluation model (in accordance with paragraphs 18.18B to 18.18H). Where the revaluation model is selected, this shall be applied to all intangible assets in the same **class of asset**. If an intangible asset in a class of revalued intangible assets cannot be revalued because there is no **active market** for this asset, the asset shall be carried at its cost less any accumulated amortisation and **impairment losses**.

284 In paragraph 18.18A, the term 'impairment losses' is no longer shown in bold type.

285 In paragraph 18.18H, the term 'gains' is now shown in bold type.

286 Paragraph 18.28A is inserted as follows:

- 18.28A When, as part of a business combination, an acquirer chooses to recognise intangible assets separately from goodwill that meet condition (a) and only one of (b) or (c) in paragraph 18.8, the acquirer shall disclose the nature of those intangible assets and the reason why they have been separated from goodwill.

Amendments to Section 19 *Business Combinations and Goodwill*

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

288 Paragraph 19.1 is amended as follows:

19.1 This section applies to ~~accounting for~~ **business combinations**. It provides guidance on identifying the acquirer, measuring the cost of the business combination, and allocating that cost to the **assets** acquired and **liabilities** and **provisions for contingent liabilities** assumed. It also addresses ~~for~~ **goodwill**, both at the time of a business combination and subsequently.

289 In paragraph 19.2, the term 'assets' is now shown in bold type and the paragraph is amended as follows:

19.2 This section ~~specifies the accounting for all business combinations except~~ does not apply to:

- (a) the formation of a **joint venture**; and
- (b) the acquisition of a group of **assets** that does not constitute a **business**.

290 In paragraph 19.4, the term 'liabilities' is now shown in bold type.

291 In paragraph 19.5, the term 'restructuring' is now shown in bold type.

292 In paragraph 19.7, the terms 'provisions' and 'contingent liabilities' are now shown in bold type and the paragraph is amended as follows:

19.7 Applying the purchase method involves the following steps:

- (a) identifying an acquirer;
- (aA) determining the acquisition date;
- (b) measuring the cost of the business acquisition; ~~and~~
- (c) allocating, at the acquisition date, the cost of the business combination to the assets acquired and liabilities and **provisions for contingent liabilities** assumed and recognising and measuring any **non-controlling interest** in the acquiree; and
- (d) recognising and measuring **goodwill**.

293 Paragraph 19.10A (moved from paragraph 19.17) and the subheading (not underlined) above it are inserted as follows:

Determining the acquisition date

19.10A Application of the purchase method starts from the acquisition date, which is the date on which the acquirer obtains control of the acquiree. Because control is the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities, it is not necessary for a transaction to be closed or finalised at law before the acquirer obtains control. All pertinent facts and circumstances surrounding a business combination shall be considered in assessing when the acquirer has obtained control.

294 Paragraph 19.12 is amended as follows:

19.12 When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the acquirer shall include the estimated amount of that adjustment (reflecting the time value of money, if **material**) in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

295 Paragraph 19.13 is amended as follows:

19.13 However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment (reflecting the time value of money, if material) to the cost of the combination.

296 Paragraph 19.13A is inserted as follows:

19.13A If the future events that at the acquisition date were expected to occur do not occur, or the estimate needs to be revised, the cost of the business combination shall be adjusted accordingly.

297 Paragraph 19.13B is inserted as follows:

19.13B The unwinding of any discounting shall be recognised as a finance cost in **profit or loss** in the period it arises.

298 The subheading (not underlined) above paragraph 19.14 is amended as follows:

Allocating the cost of a business combination to the assets acquired and liabilities and contingent liabilities assumed and recognising and measuring any non-controlling interest in the acquiree

19.14 The acquirer shall ...

299 Paragraph 19.14A is inserted as follows:

19.14A At the acquisition date, any non-controlling interest in the acquiree is stated at the non-controlling interest's share of the net amount of the identifiable assets, liabilities and provisions for contingent liabilities so recognised.

300 Paragraph 19.15 is amended as follows:

19.15 Except for the items specified in paragraphs 19.15A to 19.15C, the acquirer shall recognise separately the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date only if they satisfy the following criteria at that date:

(a) In the case of an asset ~~other than an intangible asset~~, it is probable that any associated future economic benefits will flow to the acquirer, and its fair value can be measured reliably.

...

(c) In the case of an ~~intangible asset or a contingent liability~~, its fair value can be measured reliably.

301 In paragraph 19.15C, the term 'share-based payment' is now shown in bold type.

302 In paragraph 19.16, the term 'depreciation' is now shown in bold type.

303 Paragraph 19.17 is moved to paragraph 19.10A as follows:

19.17 ~~Application of the purchase method starts from the acquisition date, which is the date on which the acquirer obtains control of the acquiree. Because control is the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities, it is not necessary for a transaction to be closed or finalised at law before the acquirer obtains control. All pertinent facts and circumstances surrounding a business combination shall be considered in assessing when the acquirer has obtained control.~~[Moved to paragraph 19.10A]

304 In paragraph 19.19, the term 'material' is no longer shown in bold type.

305 Paragraph 19.22 and the subheading above it are amended as followed:

Recognising and measuring gGoodwill

19.22 The acquirer shall, ...

- (b) initially measure that goodwill at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net amount of the identifiable assets, liabilities and contingent liabilities recognised and measured in accordance with paragraphs 19.15, ~~19.15A~~ to 19.15C.

306 Paragraph 19.25(fA) is inserted as follows:

19.25 (fA) a qualitative description of the nature of **intangible assets** included in goodwill;

307 In paragraph 19.27(c), the term 'non-controlling interest' is no longer shown in bold type.

308 In paragraph 19.30, the term 'cash flows' is now shown in bold type.

309 In paragraph 19.31, the term 'subsidiary' is now shown in bold type.

Amendments to Section 20 Leases

310 The following paragraphs set out the amendments to Section 20 *Leases* (deleted text is struck through, inserted text is underlined).

311 Paragraph 20.1 is amended as follows:

- 20.1 This section applies to ~~covers accounting for all leases, except for other than:~~
- (a) leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources ~~(see Section 34 *Specialised Activities*);~~
 - (b) ...

312 The subheading (not underlined) above paragraph 20.9 is amended as follows:

Initial recognition and measurement

20.9 At the **commencement** ...

313 Paragraph 20.12 is amended as follows:

- 20.12 A lessee shall depreciate an asset leased under a finance lease in accordance with Section 17 *Property, Plant and Equipment* or Section 18 *Intangible Assets other than Goodwill*. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life. A lessee shall also assess at each reporting date whether an asset leased under a finance lease is impaired (see Section 27 *Impairment of Assets*).

314 Paragraph 20.14 is amended as follows:

- 20.14 In addition, the requirements for disclosure about assets in accordance with Sections 17, 18 and 27 apply to lessees for assets leased under finance leases.

315 Paragraph 20.31 is amended as follows:

- 20.31 In addition, the requirements for disclosure about assets in accordance with Sections 17, 18 and 27 apply to lessors for assets provided under operating leases.

Amendments to Section 21 *Provisions and Contingencies*

316 The following paragraphs set out the amendments to Section 21 *Provisions and Contingencies* (deleted text is struck through, inserted text is underlined).

317 Paragraph 21.1 is amended as follows:

21.1 This section applies to ~~all~~ **provisions** (ie **liabilities** of uncertain timing or amount), **contingent liabilities** and **contingent assets** except those provisions covered by other sections of this FRS. Where those other sections contain no specific requirements to deal with contracts that have become onerous, this section applies to those contracts.

318 In paragraph 21.1A(b), the term 'FRS 103' is now shown in bold type and the paragraph is amended as follows:

21.1A (b) an entity has elected under **FRS 103** ~~Insurance Contracts~~ to continue the application of insurance contract accounting.

319 Paragraph 21.1B is amended as follows:

21.1B This section does not apply to:

(a) financial instruments (including loan commitments) that are within the scope of Section 11 *Basic Financial Instruments* and/or Section 12 *Other Financial Instruments Issues*. This section does not apply to;

(b) **insurance contracts** (including **reinsurance contracts**) that an entity issues and reinsurance contracts that the entity holds, or financial instruments issued by an entity with a **discretionary participation feature** that are within the scope of FRS 103 ~~Insurance Contracts~~; or

(c) executory contracts (ie contracts under which neither party has performed any obligations or both parties have partially performed their obligations to an equal extent) unless they are **onerous contracts**.

320 Paragraph 21.2 is moved to paragraph 21.1B(c) as follows:

21.2 ~~The requirements in this section do not apply to executory contracts unless they are **onerous contracts**. Executory contracts are contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent. [Moved to paragraph 21.1B(c)]~~

321 In paragraph 21.6, the term 'business' is now shown in bold type.

322 Paragraph 21.7(a) is amended as follows:

21.7 (a) When the provision involves a large population of items, the estimate of the amount reflects the weighting of all possible outcomes by their associated probabilities. ~~The provision will therefore be different depending on whether the probability of a loss of a given amount is, for example, 60 per cent or 90 per cent.~~ Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the mid-point of the range is used.

323 In paragraph 21.11A, the term 'onerous contract' is no longer shown in bold type and the paragraph is amended as follows:

21.11A If an entity has an onerous contract, the present obligation under the contract shall be recognised and measured as a provision (see Example 2 of the Appendix to this section).

324 Paragraph 21.11B is amended as follows:

21.11B Provisions shall not be recognised for future operating losses (see Example 1 of the Appendix to this section).

Amendments to Section 22 *Liabilities and Equity*

325 The following paragraphs set out the amendments to Section 22 *Liabilities and Equity* (deleted text is struck through, inserted text is underlined).

326 Paragraph 22.1 is amended as follows:

- 22.1 This section ~~establishes principles~~ sets out the requirements for:
- (a) classifying **financial instruments** as either **liabilities** or **equity** and deals with the accounting for **compound financial instruments**;
 - (b) It also addresses the issue of equity instruments and distributions to individuals or other parties acting in their capacity as investors in equity instruments (ie in their capacity as **owners**) and the accounting for purchases of own equity. This section also deals with and
 - (c) the accounting for **non-controlling interests** in **consolidated financial statements**.

Section 26 *Share-based Payment* addresses accounting sets out the requirements for a transaction in which the entity receives goods or services (including employee services) as consideration for its equity instruments (including shares or **share options**) from employees and other vendors acting in their capacity as vendors of goods and services.

327 Paragraph 22.2 is amended as follows:

- 22.2 This section ~~shall be applied~~ to all types of financial instruments except:
- (a) Investments in **subsidiaries**, **associates** and **joint ventures** ~~that are accounted for in accordance with (see Section 9 *Consolidated and Separate Financial Statements*, Section 14 *Investments in Associates* or and Section 15 *Investments in Joint Ventures*)~~.
 - (b) Employers' rights and obligations under employee benefit plans, ~~to which (see Section 28 *Employee Benefits*) applies~~.
 - ...
 - (d) Financial instruments, contracts and obligations under **share-based payment transactions** ~~to which (see Section 26) applies~~, except that paragraphs 22.3 to 22.6 shall be applied to **treasury shares** issued, purchased, sold, transferred or cancelled in connection with employee share option plans, employee share purchase plans, and all other share-based payment arrangements.
 - (e) **Insurance contracts** (including **reinsurance contracts**) that an entity issues and reinsurance contracts that it holds (see **FRS 103** ~~*Insurance Contracts*~~).

...

~~A reporting entity that issues the financial instruments set out in (e) or (f) or holds the financial instruments set out in (e) is required by paragraph 1.6 to apply FRS 103 to those financial instruments.~~

328 Paragraph 22.3 is amended as follows:

22.3 Equity is the ...

A **financial liability** is any liability that is:

- (a) a contractual obligation:
 - (i) to deliver **cash** or another **financial asset** to another entity; or
 - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) a contract that will or may be settled in the entity's own equity instruments and is:
 - (i) a non-derivative for ~~under~~ which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - (ii) a derivative that ~~which~~ will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

329 Paragraph 22.8 is amended and a sequentially numbered footnote is inserted (subsequent footnotes are renumbered sequentially) as follows:

22.8 An entity shall measure ~~the equity instruments, other than when merger relief or group reconstruction relief under sections 611 to 615 of the Act are applied~~^[*footnote] or those accounted for in accordance with paragraph 22.8A, at the fair value of the cash or other resources received or receivable, net of ~~direct costs of issuing the equity instruments~~ **transaction costs**. If payment is deferred and the time value of money is **material**, the initial **measurement** shall be on a **present value** basis.

^[*footnote] Paragraphs A4.24 and A4.24A provide more information.

330 Paragraph 22.8A is inserted as follows:

22.8A An entity shall not apply paragraph 22.8 to transactions in which a financial liability is extinguished (partially or in full) by the issue of equity instruments if:

- (a) the creditor is also a direct or indirect shareholder and is acting in its capacity as a direct or indirect existing shareholder;
- (b) the creditor and the entity are controlled by the same party or parties before and after the transaction and the substance of the transaction includes an equity distribution by, or contribution to, the entity; or
- (c) the extinguishment is in accordance with the original terms of the financial liability.

In these circumstances there is no gain or loss recognised in profit or loss as the result of such a transaction.

331 In paragraph 22.9, the term 'transaction costs' is no longer shown in bold type and the paragraph is amended as follows:

22.9 An entity shall account for the transaction costs of an equity transaction as a deduction from equity, ~~net of any related income tax benefit~~. **Income tax** relating to the transaction costs shall be accounted for in accordance with Section 29 Income Tax.

332 In paragraph 22.19, the terms 'parent's' and 'goodwill' are now shown in bold type.

333 In paragraph 22.22(d), the term ‘share-based payment arrangement’ is now shown in bold type.

334 The paragraph immediately below the subheading in the Appendix to Section 22 is moved to above the subheading as follows:

The appendix accompanies, but is not part of, Section 22. It provides guidance for applying the requirements of paragraphs 22.13 to 22.15.

Example of the issuer’s accounting for convertible debt

~~*The appendix accompanies, but is not part of, Section 22. It provides guidance for applying the requirements of paragraphs 22.13 to 22.15.*~~

...

Amendments to Section 23 Revenue

335 The following paragraphs set out the amendments to Section 23 *Revenue* (deleted text is struck through, inserted text is underlined).

336 Paragraph 23.1 is amended as follows:

23.1 This section ~~shall be applied to~~ in accounting for **revenue** arising from the following transactions and events:

...

337 In paragraph 23.2, the terms 'income' and 'lease' are now shown in bold type and the rest of the paragraph is amended as follows:

23.2 ~~This section does not apply to~~ Revenue or other **income** arising from ~~some transactions and events is dealt with in other sections of this FRS:~~

...

(e) initial **recognition** and changes in the fair value of **biological assets** related to **agricultural activity** (see Section 34 *Specialised Activities*); ~~and~~

(f) initial recognition of **agricultural produce** (see Section 34); ~~i~~

(g) incoming resources from non-exchange transactions for public benefit entities (see Section 34); ~~and~~

(h) transactions and events dealt with in FRS 103.

338 Paragraph 23.2A is moved to paragraph 23.3(h) as follows:

23.2A ~~This section excludes revenue or other income arising from transactions and events dealt with in FRS 103 *Insurance Contracts*.~~ [Moved to paragraph 23.2(h)]

339 Paragraph 23.16 is amended as follows:

23.16 When the outcome of the transaction involving the rendering of services cannot be estimated reliably, an entity shall recognise revenue only to the extent of the **expenses** recognised that it is probable will be ~~are recovered~~ able.

340 Paragraph 23.17A is inserted as follows:

23.17A Costs that relate directly to a contract and are incurred in securing the contract are also included as part of the contract costs if they can be separately identified and measured reliably and it is probable that the contract will be obtained. When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs if the contract is obtained in a subsequent period.

341 Paragraphs 23.33 to 23.35 are inserted as follows:

23.33 The gross amount due from customers for contract work is the net amount of:

(a) costs recognised as contract expenses plus recognised profits; less

(b) the sum of recognised losses and progress billings,

for all contracts in progress for which contract expenses plus recognised profits (less recognised losses) exceeds progress billings.

23.34 The gross amount due to customers for contract work is the net amount of:

(a) costs recognised as contract expenses plus recognised profits; less

(b) the sum of recognised losses and progress billings,
for all contracts in progress for which progress billings exceed contract expenses
plus recognised profits (less recognised losses).

23.35 Costs incurred less costs recognised as contract expenses shall be presented as
contract work in progress within inventories, unless an entity has chosen to
adapt its **statement of financial position** in accordance with paragraph 4.2A.

342 The subheadings (first underlined, second not underlined) and paragraphs 23A.37 to 23A.40 are inserted as follows:

Recognition and measurement

Example 27 Determining whether an entity is acting as a principal or as an agent

23A.37 Determining whether an entity is acting as a principal or as an agent requires
judgement and consideration of all relevant facts and circumstances.

23A.38 An entity is acting as a principal when it has exposure to the significant risks and
rewards associated with the sale of goods or the rendering of services. Features
that indicate that an entity is acting as principal include:

- (a) the entity has the primary responsibility for providing the goods or services
to the customer or for fulfilling the order, for example by being responsible
for the acceptability of the products or services ordered or purchased by the
customer;
- (b) the entity has inventory risk before or after the customer order, during
shipping or on return;
- (c) the entity has latitude in establishing prices, either directly or indirectly, for
example by providing additional goods or services; and
- (d) the entity bears the customer's credit risk for the amount receivable from the
customer.

23A.39 An entity is acting as an agent when it does not have exposure to the significant
risks and rewards associated with the sale of goods or the rendering of services.
One feature indicating that an entity is acting as agent is that the amount the
entity earns is predetermined, being either a fixed fee per transaction or a stated
percentage of the amount billed to the customer.

23A.40 The amounts collected by an agent on behalf of a principal are not revenue.
Instead, revenue is the amount of commission.

Amendments to Section 24 Government Grants

343 The following paragraphs set out the amendments to Section 24 *Government Grants* (deleted text is struck through, inserted text is underlined).

344 Paragraph 24.1 is amended as follows:

24.1 This section ~~specifies the accounting for all~~ applies to government grants. ~~A government grant is assistance by government in the form of a transfer of resources to an entity in return for past or future compliance with specified conditions relating to the~~ **operating activities** ~~of the entity.~~

345 Paragraph PBE24.1A is inserted as follows:

PBE24.1A The accounting for incoming resources from **non-exchange transactions** other than government grants is addressed in paragraphs PBE34.64 to PBE34.74 and Appendix B to Section 34 *Specialised Activities*.

346 Paragraph 24.7 is amended as follows:

24.7 For the purpose of the disclosure required by paragraph 24.6(d), government assistance is action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under specified criteria. Examples include free technical or marketing advice, and the provision of guarantees, ~~and loans at nil or low interest rates.~~

Amendments to Section 25

Borrowing Costs

347 The following paragraphs set out the amendments to Section 25 *Borrowing Costs* (deleted text is struck through, inserted text is underlined).

348 Paragraph 25.1 is amended as follows:

25.1 This section ~~specifies the accounting for~~ applies to **borrowing costs**. ~~Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.~~ Borrowing costs include:

- (a) interest expense calculated using the effective interest method as ~~described~~ set out in Section 11 *Basic Financial Instruments*;
- (b) finance charges in respect of finance leases ~~recognised in accordance with~~ as set out in Section 20 *Leases*; and

...

349 In paragraph 25.3, the term 'fair value' is now in bold type.

Amendments to Section 26

Share-based Payment

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

351 Paragraph 26.1 is amended as follows:

26.1 This section ~~specifies the accounting for all~~ applies to **share-based payment transactions** including:

- (a) **equity-settled share-based payment transactions**, in which the entity:
 - (i) ~~receives goods or services as consideration for its own equity instruments (including shares or **share options**); or~~
 - (ii) ~~receives goods or services but has no obligation to settle the transaction with supplier;~~
- (b) **cash-settled share-based payment transactions**, in which the entity ~~acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of the entity's shares or other equity instruments of the entity or another group entity; and~~
- (c) transactions in which the entity receives or acquires goods or services and the terms of the arrangement provide either the entity or the supplier of those goods or services with a choice of whether the entity settles the transaction in **cash** (or other **assets**) or by issuing equity instruments.

In the absence of specifically identifiable goods or services, other circumstances may indicate that goods or services have been (or will be) received, in which case this section applies.

352 In paragraph 26.1A, the term 'group' is now shown in bold type.

353 In paragraph 26.2, the term 'share options' is now shown in bold type.

354 Paragraph 26.2A is inserted as follows:

26.2A The entity settling a share-based payment transaction when another entity in the group receives the goods or services shall recognise the transaction as an equity-settled share-based payment transaction only if it is settled in its own equity instruments. Otherwise, the transaction shall be recognised as a cash-settled share-based payment transaction.

355 In paragraph 26.3, the term 'liability' is now shown in bold type.

356 Paragraph 26.5 is amended as follows:

26.5 If the **share-based payments** granted to ~~employees~~ vest immediately, the ~~employee counterparty~~ is not required to complete a specified period of service before becoming unconditionally entitled to those share-based payments. In the absence of evidence to the contrary, the entity shall presume that services rendered by the ~~employee counterparty~~ as consideration for the share-based payments have been received. In this case, on grant date the entity shall recognise the services received in full, with a corresponding increase in equity or liabilities.

357 In paragraph 26.6, the term 'vesting period' is now shown in bold type and the paragraph is amended as follows:

26.6 If the share-based payments do not vest until the ~~employee counterparty~~ completes a specified period of service, the entity shall presume that the services to be rendered by the counterparty as consideration for those share-based payments will be received in the future, during the vesting period. The entity shall account for those services as they are rendered by the ~~employee counterparty~~ during the **vesting period**, with a corresponding increase in equity or liabilities.

358 In paragraph 26.9, the term 'vesting conditions' is now shown in bold type and the paragraph is amended as follows:

26.9 A grant of equity instruments might be conditional ~~on employees upon~~ satisfying specified **vesting conditions** related to service or performance. An example of a ~~vesting service condition relating to service~~ is when a grant of shares or share options is conditional on the employee remaining in the entity's employ for a specified period of time. Examples of ~~vesting performance conditions relating to performance~~ are when a grant of shares or share options is conditional on the entity achieving a specified growth in profit (an example of a non-market vesting condition) or a specified increase in the entity's share price (an example of a **market condition**). Vesting conditions and conditions that are not vesting conditions (such as a condition that an employee contributes to a savings plan) are accounted for as follows:

(a) All ~~v~~Vesting conditions, other than ~~related solely to employee service or to a non-market performance conditions~~, shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, such vesting conditions shall be taken into account in estimating the number of equity instruments expected to vest. Subsequently, the entity shall revise that estimate, ~~if necessary~~, if new information indicates that the number of equity instruments expected to vest differs from previous estimates. On the vesting date, the entity shall revise the estimate to equal the number of equity instruments that ultimately vested.

(b) All **market vesting conditions** and ~~non-vesting conditions that are not vesting conditions~~ shall be taken into account when estimating the fair value of the ~~shares or share options equity instruments granted~~ at the measurement date, with no subsequent adjustment to the estimated fair value, irrespective of the outcome of the market condition or ~~non-vesting condition that is not a vesting condition~~, provided that all other vesting conditions are satisfied.

359 In paragraph 26.12(b), the term 'share-based payment arrangement' is now shown in bold type and the paragraph is amended as follows:

26.12 ~~If a~~An entity might modify the ~~vesting terms and conditions on which equity instruments are granted~~ in a manner that is beneficial to the employee, for example, by reducing the exercise price of an option or reducing the vesting period or by modifying or eliminating a performance condition. ~~Alternatively, an entity might modify the terms and conditions in a manner that is not beneficial to the employee, for example, by increasing the vesting period or adding a performance condition.~~ ‡The entity shall take the modified vesting conditions into account in accounting for the share-based payment transaction, as follows:

...

The requirements in this paragraph are expressed in the context of share-based payment transactions with employees. The requirements also apply to share-based payment transactions with parties other than employees if these

transactions are measured by reference to the fair value of the equity instruments granted, but reference to the grant date refers to the date that the entity obtains the goods or the counterparty renders service.

360 Paragraph 26.13 is amended as follows:

26.13 An entity shall account for a cancellation or settlement of an equity-settled share-based payment ~~award transaction~~ as an acceleration of vesting, and therefore shall recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

361 Paragraph 26.15B is amended as follows:

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

26.15C ~~(a) If 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.~~

362 In paragraph 26.16, the term 'group' is no longer shown in bold type, and the paragraph is amended as follows:

26.16 If a share-based payment ~~award~~ is granted by an entity to the employees of one or more ~~members in the group entities~~, the ~~members group entities~~ are permitted, as an alternative to the treatment set out in paragraphs ~~26.37~~ to 26.15C, to ~~recognise and~~ measure the share-based payment expense on the basis of a reasonable allocation of the expense for the group, calculated in accordance with this FRS, IFRS 2 *Share-based Payment* or on an equivalent basis.

363 Paragraph 26.17 is amended as follows:

26.17 Some jurisdictions have programmes established under law by which equity investors (such as employees) are able to acquire equity without providing goods or services that can be specifically identified (or by providing goods or services that are clearly less than the fair value of the equity instruments granted). This indicates that other consideration has been or will be received (such as past or future employee services). These are equity-settled share-based payment transactions within the scope of this section. The entity shall measure the unidentifiable goods or services received (or to be received) as the difference between the fair value of the ~~share-based payment equity instrument~~ and the fair value of any identifiable goods or services received (or to be received) measured at the grant date.

364 Paragraph 26.22 is amended as follows:

26.22 If the entity is part of a group share-based payment ~~plan arrangement~~, and it ~~recognises and~~ measures its share-based payment expense on the basis of a reasonable allocation of the expense ~~recognised~~ for the group, it shall disclose that fact and the basis for the allocation (see paragraph 26.16).

Amendments to Section 27

Impairment of assets

365 The following paragraphs set out the amendments to Section 27 *Impairment of assets* (deleted text is struck through, inserted text is underlined).

366 In paragraph 27.1(a), the term 'assets' is now shown in bold type and the rest of the paragraph is amended as follows:

27.1 ~~An **impairment loss** occurs when the carrying amount of an asset exceeds its recoverable amount. This section shall be applied to in accounting for the impairment of all assets and the **recognition of impairment losses** except in relation to other than the following, for which other sections of this FRS establish impairment requirements:~~

...

(e) **investment property** measured at **fair value** (see Section 16 *Investment Property*); ~~and~~

(f) **biological assets** related to **agricultural activity** measured at fair value less estimated costs to sell (see Section 34 *Specialised Activities*); and

(g) **deferred acquisition costs** and **intangible assets** arising from contracts within the scope of **FRS 103**.

367 Paragraph 27.1A is moved to 27.1(g) as follows:

27.1A ~~This section shall not apply in accounting for the impairment of **deferred acquisition costs** and **intangible assets** arising from contracts within the scope of **FRS 103 Insurance Contracts**. [Moved to paragraph 27.1(g)]~~

368 In paragraph 27.2, the term 'carrying amount' is now shown in bold type.

369 In paragraph 27.5, the term 'recoverable amount' is now shown in bold type.

370 In paragraph 27.18, the term 'income tax' is now shown in bold type.

371 In paragraph 27.19(a), the term 'restructuring' is now shown in bold type.

372 In paragraph 27.27(b), the term 'group' is now shown in bold type.

373 In paragraph 27.33(d), the term 'intangible assets' is no longer shown in bold type.

374 In paragraph 27.33A, the term 'recognition' is no longer shown in bold type.

Amendments to Section 28

Employee Benefits

375 The following paragraphs set out the amendments to Section 28 *Employee Benefits* (deleted text is struck through, inserted text is underlined).

376 Paragraph 28.1 is amended as follows:

28.1 ~~Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees, including directors and management. This section applies to all employee benefits, except for share-based payment transactions, which are covered by (see Section 26 *Share-based Payment*). Employee benefits covered by this section will be one of the following four types include:~~

(a) ...

377 In paragraph 28.3(a), the term 'asset' is now shown in bold type.

378 Paragraph 28.15(b) is amended as follows:

28.15 (b) the **fair value** at the reporting date of plan assets (if any) out of which the obligations are to be settled. The Appendix to Section 2 *Concepts and Pervasive Principles* provides guidance on Paragraphs 11.27 to 11.32 establish requirements for determining the fair values of those plan assets, except that, if the asset is an insurance policy that exactly matches the amount and timing of some or all of the benefits payable under the plan, the fair value of the asset is deemed to be the present value of the related obligation.

379 In paragraph 28.21, the term 'profit or loss' is no longer shown in bold type.

380 Paragraph 28.21A is amended as follows:

28.21A If a defined benefit plan has been curtailed (ie benefits or group of covered employees are reduced) or settled (the relevant part of the employer's obligation is completely discharged) in the current period, the defined benefit obligation shall be decreased or eliminated, and the entity shall recognise the resulting gain or loss in profit or loss in the current reporting period.

381 Paragraph 28.28 is amended as follows:

28.28 If an entity is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the entity shall recognise its right to reimbursement as a separate asset. An entity shall treat that asset in the same way as plan assets. The cost of a defined benefit plan recognised in accordance with paragraph 28.23 may be presented net of the amounts relating to changes in the **carrying amount** of the right to reimbursement.

382 Paragraph 28.30 is amended as follows:

28.30 An entity shall ...

An entity shall recognise the net change in the liability during the period in profit or loss, except to the extent that this FRS requires or permits their inclusion in the cost of an asset, such as inventory or property, plant and equipment.

383 In paragraph 28.38, the term 'group' is now shown in bold type and the paragraph is amended as follows:

28.38 ~~When~~ an entity participates in a defined benefit plan that shares risks between entities under common control it shall obtain information about the plan as a whole measured in accordance with this FRS on the basis of assumptions that apply to the plan as a whole. If there is a contractual agreement or stated policy for charging the net defined benefit cost of a defined benefit plan as a whole measured in accordance with this FRS to individual **group** entities, the entity shall, in its **individual financial statements**, recognise the net defined benefit cost of a defined benefit plan so charged. If there is no such agreement or policy, the net defined benefit cost of a defined benefit plan shall be recognised in the individual financial statements of the group entity which is ~~legally responsible~~ the sponsoring employer for the plan. The other group entities shall, in their individual financial statements, recognise a cost equal to their contribution payable for the period. As the net defined benefit cost is calculated by reference to both the defined benefit obligation and the fair value of plan assets, recognising a net defined benefit cost requires the recognition of a corresponding net defined benefit asset or liability in the individual financial statements of any group entity recognising a net defined benefit cost.

384 Paragraph 28.41 is amended as follows:

28.41 An entity shall disclose the following information about defined benefit plans (except for any ~~defined~~-multi-employer defined benefit plans that are accounted for as a defined contribution plan in accordance with paragraphs 28.11 and 28.11A, for which the disclosures in paragraphs 28.40 and 28.40A apply instead).

(a) ...

Amendments to Section 29 Income Tax

385 The following paragraphs set out the amendments to Section 29 *Income Tax* (deleted text is struck through, inserted text is underlined).

386 Paragraph 29.1 is deleted as follows:

29.1 ~~For the purpose of this FRS, income tax includes all domestic and foreign taxes that are based on taxable profit. Income tax also includes taxes, such as withholding taxes, that are payable by a subsidiary, associate or joint venture on distributions to the reporting entity. [Deleted]~~

387 Paragraph 29.2 is amended as follows:

29.2 This section ~~covers accounting for~~ applies to:

(a) income tax ~~It requires an entity to recognise the current and future tax consequences of transactions and other events that have been recognised in the financial statements. These recognised tax amounts comprising:~~

(i) current tax; and

(ii) deferred tax. ~~Current tax is tax payable (refundable) in respect of the taxable profit (tax loss) for the current period or past reporting periods. Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of the current and previous periods. This section also requires that deferred tax is recognised including deferred tax in respect of assets (other than goodwill) and liabilities recognised as a result of a business combination;~~ and

(b) value added tax (VAT) and other similar sales taxes, which are not income taxes.

388 Paragraph 29.2A is moved to paragraph 29.2(b) as follows:

29.2A ~~This section also covers accounting for value added tax (VAT) and other similar sales taxes, which are not income taxes. [Moved to paragraph 29.2(b)]~~

389 In paragraph 29.3, the term 'taxable profit' is now shown in bold type.

390 In paragraph 29.6, the first mention of the term 'financial statements' is now shown in bold type and the paragraph is amended as follows:

29.6 Deferred tax shall be recognised in respect of all **timing differences** at the reporting date, except as otherwise required by paragraphs 29.7 to 29.9 and 29.11A below. Timing differences are differences between taxable profits and **total comprehensive income** as stated in the **financial statements** that arise from the inclusion of **income** and **expenses** in tax assessments in periods different from those in which they are recognised in financial statements.

391 In paragraph 29.9, the terms 'subsidiary', 'associate' and 'joint venture' are now shown in bold type.

392 Paragraph 29.11 is amended as follows:

29.11 When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination accounted for by applying the purchase method is less (more) than the value at which it is recognised, a deferred tax liability (asset) shall be recognised for the additional tax that will be

paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) shall be recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised in a business combination accounted for by applying the purchase method and the amount that will be assessed for tax. The amount attributed to goodwill (or negative goodwill) shall be adjusted by the amount of deferred tax recognised.

393 Paragraph 29.11A is inserted as follows:

29.11A In applying paragraph 29.11 and determining the amount that can be deducted for tax an entity shall consider the manner in which the entity expects, at the end of the **reporting period**, to recover or settle the **carrying amount** of the asset or liability.

394 Paragraph 29.12 is amended as follows:

29.12 An entity shall measure a deferred tax liability (asset) using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference ~~except for the cases dealt with in paragraphs 29.15 and 29.16 below~~.

395 Paragraph 29.14A and a sequentially numbered footnote are inserted (subsequent footnotes are renumbered sequentially) as follows:

29.14A As an exception, when:

- (a) an entity is wholly-owned by one or more charitable^[*footnote] entities;
- (b) it is probable that a gift aid payment will be made to a member of the same charitable **group**, or a charitable **venturer**, within nine months of the reporting date; and
- (c) that payment will qualify to be set against profits for tax purposes, the income tax effects of that gift aid payment shall be recognised at the reporting date. The income tax effects shall be measured consistently with the tax treatment planned to be used in the entity's income tax filings. A deferred tax liability shall not be recognised in relation to such a gift aid payment.

[*footnote] In this context, 'charitable' refers to an entity that has been recognised by HMRC as being eligible for certain tax reliefs because of its charitable purposes.

396 In paragraph 29.20, the term 'fixed assets' is now shown in bold type.

397 Paragraph 29.21 is amended as follows:

29.21 An entity shall present changes in a current tax liability (asset) and changes in a deferred tax liability (asset) as tax expense (income) with the exception of those changes arising on the initial **recognition** of a business combination which shall be dealt with in accordance with paragraphs 29.11 to 29.11A.

398 Paragraph 29.22A is inserted as follows:

29.22A As an exception to paragraph 29.22, an entity shall present the tax expense (income) effects of distributions to **owners** in profit or loss.

399 Paragraph 29.23 is amended as follows:

29.23 An entity shall present deferred tax liabilities within provisions for liabilities and deferred tax assets within debtors, unless it has chosen to adapt its **statement of financial position** in accordance with paragraph 4.2A.

400 In paragraph 29.26(f), the term 'material' is no longer shown in bold type.

401 In paragraph 29.27(c), the term 'reporting period' is no longer shown in bold type.

Amendments to Section 30 *Foreign Currency Translation*

402 The following paragraphs set out the amendments to Section 30 *Foreign Currency Translation* (deleted text is struck through, inserted text is underlined).

403 Paragraph 30.1 is split into two paragraphs and amended as follows:

30.1 ~~An entity can conduct foreign activities in two ways. It may have transactions in foreign currencies or it may have **foreign operations**. In addition, an entity may present its **financial statements** in a foreign currency. This section prescribes how to include applies to:~~

(a) foreign currency transactions; and

(b) **foreign operations**; in the financial statements of an entity and

(c) how to the translation of **financial statements** into a **presentation currency**.

30.1A This section does not apply to hedge accounting of foreign currency items is dealt with in (see Section 12 *Other Financial Instruments Issues*).

404 Paragraph 30.13 is amended as follows:

30.13 Exchange differences arising on a monetary item that forms part of a reporting entity's **net investment in a foreign operation** shall be recognised in profit or loss in the **separate financial statements** of the reporting entity or the **individual financial statements** of the foreign operation, as appropriate, except that any unrealised gain shall be recognised in other comprehensive income. In the financial statements that include the foreign operation and the reporting entity (eg **consolidated financial statements** when the foreign operation is a subsidiary), such exchange differences shall be recognised in other comprehensive income and accumulated in **equity**. They shall not be recognised in profit or loss on disposal of the net investment.

405 In paragraph 30.14, the term 'prospectively' is now shown in bold type.

406 Paragraph 30.21 is amended as follows:

30.21 An entity whose functional currency is the currency of a hyperinflationary economy shall adjust its results and financial position using the procedures specified in Section 31 *Hyperinflation* ~~before applying the requirements of this section, translating them into a different presentation currency using the following procedures:~~

(a) all amounts (ie assets, liabilities, equity items, income and expenses, including comparatives) shall be translated at the closing rate at the date of the most recent statement of financial position, except that

(b) when amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts shall be those that were presented as current year amounts in the relevant prior period financial statements.

407 Paragraph 30.25(b) is amended as follows:

30.25 (b) the amount of exchange differences recognised in other comprehensive income arising during the period and classified as equity at the end of the period.

Amendments to Section 31 *Hyperinflation*

408 The following paragraphs set out the amendments to Section 30 *Foreign Currency Translation* (inserted text is underlined).

409 Paragraph 31.8(bA) is inserted as follows:

31.8 (bA) Some non-monetary items are carried at amounts that were current at dates other than that of acquisition or the reporting date, for example, property, plant and equipment that has been revalued at some earlier date. In these cases, the **carrying amounts** are restated by applying to the revalued amount the change in a general price index from the date of the revaluation.

410 Paragraph 31.9 is amended as follows:

31.9 At the beginning of the first period of application of this section, the components of **equity**, except retained earnings and any revaluation surplus, are restated by applying a general price index from the dates the components were contributed or otherwise arose. Any revaluation surplus that arose in previous periods is not restated. Restated retained earnings are derived from all the other amounts in the restated statement of financial position.

411 In paragraph 31.10, the term 'owners' is now shown in bold type.

412 Paragraph 31.13 is amended as follows:

31.13 In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power, and an entity with an excess of monetary liabilities over monetary assets gains purchasing power, to the extent the assets and liabilities are not linked to a price level. An entity shall include in **profit or loss** the **gain** or loss on the net monetary position, except that any unrealised gain shall be recognised in **other comprehensive income**. An entity shall offset the adjustment to those assets and liabilities linked by agreement to changes in prices made in accordance with paragraph 31.7 against the gain or loss on net monetary position.

413 In paragraph 31.14, the term 'carrying amounts' is no longer shown in bold type.

Amendments to Section 32

Events after the End of the Reporting Period

414 The following paragraphs set out the amendments to Section 32 *Events after the End of the Reporting Period* (deleted text is struck through, inserted text is underlined).

415 Paragraph 32.1 is amended as follows:

32.1 This section ~~defines events after the end of the **reporting period** and sets out principles for recognising, measuring and disclosing those~~ applies to the **recognition, measurement** and disclosure of events after the end of the **reporting period**.

416 Paragraph 32.9 is amended as follows:

32.9 An entity shall disclose the date ~~when the financial statements were authorised for issue and who gave that authorisation. If the entity's **owners** or others have the power to amend the financial statements after issue, the entity shall disclose that fact.~~

417 In paragraph 32.11(e), the term 'restructuring' is now shown in bold type.

Amendments to Section 33 Related Party Disclosures

418 The following paragraphs set out the amendments to Section 33 *Related Party Disclosures* (inserted text is underlined).

419 Paragraph 33.1A is amended as follows:

33.1A Disclosures required by this section 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.

420 In paragraph 33.4(d), the term 'business' is now shown in bold type.

421 In paragraph 33.6, the term 'share-based payments' is now shown in bold type.

422 Paragraph 33.7A is inserted as follows:

33.7A When an entity is subject to a legal or regulatory requirement to disclose directors' remuneration (or equivalent), it is exempt from the requirements of paragraph 33.7 if the key management personnel and directors are the same.

423 A sequentially numbered footnote is inserted into paragraph 33.9 (subsequent footnotes are renumbered sequentially) as follows:

33.9 If an entity has related party transactions, it shall disclose the nature of the related party relationship as well as information about the transactions, outstanding balances and commitments necessary for an understanding of the potential effect of the relationship on the financial statements. Those disclosure requirements are in addition to the requirements in paragraph 33.7 to disclose key management personnel compensation^[*footnote]. At a minimum, disclosures shall include:

...

[*footnote] When, in accordance with paragraph 33.7A, an entity takes advantage of the exemption from disclosing key management personnel compensation it is not required, by this paragraph, to provide additional disclosure about directors' share-based payment arrangements.

Amendments to Section 34 *Specialised Activities*

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

425 Paragraph 34.1 is amended as follows:

34.1 This section ~~sets out the financial reporting requirements for entities applying this FRS involved in~~ applies to the following types of specialised activities:

...

(c) Service Concession Arrangements (see paragraphs 34.12 to 34.16AC);

...

426 Paragraph 34.2 is amended as follows:

34.2 An entity ~~using this FRS~~ that is engaged in agricultural activity shall determine an **accounting policy** for each class of **biological asset** and its related **agricultural produce**.

427 Paragraph 34.3A is amended as follows:

34.3A For each class of biological asset and its related agricultural produce an entity shall choose as its accounting policy either:

(a) the fair value model set out in paragraphs 34.4 to 34.7AB; or

...

428 In paragraph 34.6(d), the term 'cash flows' is now shown in bold type.

429 Paragraph 34.10A is amended as follows:

34.10A An entity shall disclose, for any agricultural produce measured at fair value less costs to sell, the methods and significant assumptions applied in determining the fair value at the point of harvest ~~of each class of its~~ agricultural produce.

430 Paragraph 34.11 is amended as follows:

34.11 An entity ~~using this FRS~~ that is engaged in the exploration for and/or evaluation of mineral resources (extractive activities) shall apply the requirements of IFRS 6 *Exploration for and Evaluation of Mineral Resources* (as adopted in the EU).

431 In paragraph 34.12A, the terms 'assets' and 'useful life' are now shown in bold type.

432 Paragraph 34.12B is amended as follows:

34.12B A service concession arrangement shall be accounted for in accordance with the requirements of paragraphs 34.12E to 34.16AC.

433 In paragraph 34.14, the term 'fair value' is now shown in bold type and the paragraph is amended as follows:

34.14 The operator shall recognise a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from, or at the direction of, the grantor for the construction (or upgrade) services. The operator shall initially recognise the financial asset at fair value for the consideration received or receivable, based on the **fair value** of the construction (or upgrade) services provided. Thereafter, it shall account for the financial asset in accordance with Section 11 *Basic Financial Instruments* and

Section 12 *Other Financial Instruments Issues*. In classifying the financial asset as basic or other, a payment being contingent on the operator ensuring that the infrastructure meets specified quality or efficiency requirements does not in itself prevent its classification as basic.

434 The following subheading (not underlined) and paragraphs 34.16B and 34.16C are inserted as follows:

Disclosures

34.16B An operator and a grantor shall disclose information that enables users of the entity's **financial statements** to evaluate the nature and extent of relevant risks arising from service concession arrangements. This information shall typically include, but is not limited to, a description of the arrangement, including any rights, obligations or options arising, and any significant terms of the arrangement that may affect the amount, timing and certainty of future **cash flows**.

34.16C An operator shall disclose the amount of revenue, profits or losses and other **income** recognised in the period on exchanging construction services for a financial asset or an intangible asset.

435 Paragraph 34.17 is amended as follows:

34.17 A **financial institution** (~~other than a retirement benefit plan~~) applying this FRS shall, in addition to the disclosure requirements of Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instruments Issues*, provide the disclosures in paragraphs 34.19 to 34.33. The disclosures in paragraphs 34.19 to 34.33 are required to be provided in:

- (a) the **individual financial statements** of a financial institution (~~other than retirement benefit plans~~); and
- (b) the **consolidated financial statements** of a **group** containing a financial institution (~~other than a retirement benefit plan~~) when the **financial instruments** held by the financial institution are **material** to the group. Where this is the case, the disclosures apply regardless of whether the principal activity of the group is being a financial institution or not. The disclosures in paragraphs 34.19 to 34.33 only need to be given in respect of financial instruments held by entities within the group that are financial institutions (~~other than retirement benefit plans~~).

436 Paragraph 34.18 is deleted as follows:

~~34.18 A retirement benefit plan shall provide the disclosures in paragraphs 34.35 to 34.48 of this FRS. [Deleted]~~

437 Paragraph 34.21 is amended as follows:

34.21 Unless ~~Where~~ a financial institution has made the **accounting policy** choice in paragraphs 11.2(c) and 12.2(c) to apply the **recognition and measurement** provisions of IFRS 9 *Financial Instruments* (as adopted in the EU), when it uses a separate allowance account to record impairments, it shall disclose a reconciliation of changes in that account during the period for each class of **financial asset**.

438 Paragraph 34.21A is inserted as follows:

34.21A When a financial institution has made the accounting policy choice in paragraphs 11.2(c) and 12.2(c) to apply the recognition and measurement provisions of IFRS 9, it shall disclose information that enables users of its

financial statements to understand the effect of **credit risk** on the amount, timing and uncertainty of future **cash flows**. This shall include:

- (a) An explanation of the financial institution's credit risk management practices and how they relate to the recognition and measurement of expected credit losses.
- (b) A reconciliation from the opening balance to the closing balance of the loss allowance, in a table, showing separately the changes during the period for:
 - (i) the loss allowance measured at an amount equal to 12-month expected credit losses;
 - (ii) the loss allowance measured at an amount equal to lifetime expected credit losses (showing separately the amount relating to financial instruments for which credit risk has increased significantly since initial recognition); and
 - (iii) financial assets that are purchased or originated credit-impaired.
- (c) By credit risk rating grade, the gross **carrying amount** of financial assets and the exposure to credit risk on loan commitments and **financial guarantee contracts** (showing separately information for financial instruments for which the loss allowance is measured at an amount equal to 12-month expected credit losses, for which the loss allowance is measured at an amount equal to lifetime expected credit losses, and that are purchased or originated credit-impaired financial assets).

439 In paragraph 34.23, the term 'credit risk' is no longer shown in bold type.

440 In paragraph 34.25(a), the term 'carrying amount' is no longer shown in bold type. A sequentially numbered footnote is inserted (subsequent footnotes are renumbered sequentially) and paragraph 34.25 is amended as follows:

34.25 For financial instruments within the scope of Section 11 or Section 12 to which the impairment requirements of IFRS 9 are not applied, a A-financial institution shall disclose by class of financial instrument:

...

- (d) Information about the credit quality of **financial assets** that are neither past due nor impaired^[*footnote].

[*footnote] Sub-paragraph (d) does not apply to financial institutions that have made the accounting policy choice in paragraphs 11.2(c) and 12.2(c) to apply the recognition and measurement provisions of IFRS 9.

441 Paragraph 34.26 is amended as follows:

34.26 Unless a A-financial institution has made the accounting policy choice in paragraphs 11.2(c) and 12.2(c) to apply the recognition and measurement provisions of IFRS 9, it shall provide, by class of financial asset, an analysis of:

...

442 Paragraph 34.35(c) is amended as follows:

34.35 (c) **notes**, comprising a ~~summary of its~~ significant accounting policies and other explanatory information.

443 In paragraph 34.36, the term 'fair value' is now shown in bold type.

444 In paragraph 34.37(d), the term 'income' is now shown in bold type and the rest of paragraph 34.37 is amended as follows:

34.37 The financial statements ...

- (i) profits and losses on disposal of investments and changes in value of investments;~~and~~
- (j) ~~transfers from and to other plans in;~~ and
- (k) payments to and on account of leavers.

445 In paragraph 34.38, the term 'notes' is now shown in bold type.

446 In paragraph 34.39, the term 'financial instruments' is now shown in bold type.

447 In paragraph 34.45(d), the term 'financial assets' is now shown in bold type.

448 In paragraph 34.48(c), the term 'actuarial assumptions' is now shown in bold type.

449 In paragraph 34.50, the term 'assets' is now shown in bold type.

450 Paragraph 34.51 is amended as follows:

34.51 An entity shall recognise and measure heritage assets in accordance with Section 17 or Section 18, as appropriate (ie using the cost model or revaluation model), subject to the requirements set out in paragraph 34.52 to 34.53 below).

451 In paragraph 34.55, the term 'measurement' is now shown in bold type.

452 Paragraph PBE34.64 is amended as follows:

PBE34.64 ~~The accounting requirements for **government grants** is addressed are set out in Section 24 *Government Grants*.~~

453 Paragraph PBE34.70 is amended as follows:

PBE34.70 Therefore, where it is ~~not~~ **impracticable** to estimate the value of the resource with sufficient reliability, the income shall be included in the financial period when the resource is sold.

454 Paragraph PBE34.75 is amended as follows:

PBE34.75 Paragraphs PBE34.76 to PBE34.86 apply ~~only to~~ **public benefit entities** for entering into the following ~~categories of~~ **entity combinations** which involve a whole entity or parts of an entity combining with another entity:

...

455 In paragraph PBE34.78, the term 'income' is now shown in bold type.

456 Paragraph PBE34.87 is amended as follows:

PBE34.87 Paragraphs PBE34.89 to PBE34.97 ~~address the~~ **recognition, measurement and disclosure of** apply to **public benefit entity concessionary loans** arrangements within the **financial statements** of **public benefit entities** or entities within a **public benefit entity group** ~~making or receiving public benefit entity concessionary loans. These paragraphs apply to public benefit entity concessionary loan arrangements only and are not applicable to loans which are at a market rate or to other commercial arrangements.~~

457 In paragraph PBE34.89(a), the terms 'recognition' and 'measurement' are now shown in bold type.

458 Paragraph PBE34.95 is amended as follows:

PBE34.95 The entity shall disclose in ~~the summary of its~~ significant accounting policies the measurement basis used for concessionary loans and any other accounting policies which are relevant to the understanding of these transactions within the financial statements.

459 Appendix A to Section 34 is amended as follows:

Guidance on funding commitments

(paragraphs 34.57 to 34.63)

This ~~guidance appendix~~ is an integral part of ~~the Standard~~ Section 34.

...

460 Appendix B to Section 34 is amended as follows:

Guidance on incoming resources from non-exchange transactions

(paragraphs 34.64 to 34.74)

This ~~guidance appendix~~ is an integral part of ~~the Standard~~ Section 34.

...

Amendments to Section 35

Transition to this FRS

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

462 In paragraph 35.1, the term 'income tax' is now shown in bold type and the paragraph is amended as follows:

35.1 This section applies to a **first-time adopter of this FRS**, regardless of whether its previous ~~accounting~~financial reporting framework was **EU-adopted IFRS** or another set of generally accepted accounting principles (GAAP) such as its national accounting standards, or another framework such as the local **income tax** basis.

463 Paragraph 35.4(b) is amended as follows:

35.4 (b) presented its most recent previous financial statements under previous UK and Republic of Ireland requirements that are ~~therefore~~ not consistent with this FRS in all respects; or

464 Paragraphs 35.9(a) and (d) are amended as follows:

35.9 (a) ***Derecognition of financial assets and financial liabilities:***
Financial assets and liabilities derecognised under an entity's previous ~~accounting~~financial reporting framework before the date of transition shall not be recognised upon adoption of this FRS. Conversely, for financial assets and liabilities that would have been derecognised under this FRS in a transaction that took place before the date of transition, but that were not derecognised under an entity's previous ~~accounting~~financial reporting framework, an entity may choose:

...

(d) ~~***Discontinued operations:***~~ [Deleted]

...

465 In paragraph 35.9(e), the terms 'subsidiary', 'control' and 'prospectively' are now shown in bold type.

466 Paragraph 35.10(a) is amended as follows:

35.10 (a) ***Business combinations, including group reconstructions***

A first-time adopter may elect not to apply Section 19 *Business Combinations and Goodwill* to business combinations that were effected before the date of transition to this FRS. However, if a first-time adopter restates any business combination to comply with Section 19, it shall restate all later business combinations. If a first-time adopter does not apply Section 19 retrospectively, the first-time adopter shall recognise and measure all its assets and liabilities acquired or assumed in a past business combination at the date of transition to this FRS in accordance with paragraphs 35.7 to 35.9 or if applicable, with paragraphs 35.10(b) to (~~fy~~) except for:

...

467 In paragraph 35.10(b), the terms 'share-based payment transactions' and 'small entity' are now shown in bold type.

468 In paragraph 35.10(f), the term 'subsidiary' is no longer shown in bold type.

469 In paragraph 35.10(n), the term 'development' is now shown in bold type.

470 In paragraph 35.10(s), the term 'financial instrument' is now shown in bold type.

471 In paragraph 35.10(t)(i)(b), the terms 'present value' and 'cash flows' are now shown in bold type.

472 In paragraph 35.10(t)(ii), the term 'foreign operation' is now shown in bold type.

473 The rest of paragraph 35.10 is amended as follows:

35.10 An entity may ...

(d) **Revaluation as deemed cost**

A first-time adopter may elect to use a ~~previous GAAP~~ revaluation determined under its previous financial reporting framework of an:

(i) ...

(f) **Individual and separate financial statements**

When an entity ...

(i) cost determined in accordance with Section 9 *Consolidated and Separate Financial Statements*, Section 14 *Investments in Associates* or Section 15 *Investments in Joint Ventures* at the date of transition; or

(ii) deemed cost, which shall be the **carrying amount** at the date of transition as determined under the entity's previous ~~GAAP~~ financial reporting framework.

...

(j) **Extractive activities**

A first-time adopter that under a ~~its~~ previous GAAP financial reporting framework accounted for exploration and development costs for oil and gas properties in the development or production phases, in cost centres that included all properties in a large geographical area may elect to measure oil and gas assets at the date of transition to this FRS on the following basis:

(i) Exploration and evaluation assets at the amount determined under the entity's previous ~~GAAP~~ financial reporting framework.

(ii) Assets in the development or production phases at the amount determined for the cost centre under the entity's previous ~~GAAP~~ financial reporting framework. The entity shall allocate this amount to the cost centre's underlying assets pro rata using reserve volumes or reserve values as of that date.

...

(t) **Hedge accounting**

(i) **A hedging relationship existing on the date of transition**

A first-time adopter ...

Hedge accounting as set out in Section 12 *Other Financial Instruments* Issues of this FRS may commence from a date no earlier than the conditions of paragraphs 12.18(a) to (c) are met. In a fair value hedge the cumulative **hedging gain or loss** on the hedged item from the date hedge accounting commenced to the date of transition, shall be ~~recorded~~ recognised in retained earnings (or if appropriate, another category of equity). In a cash flow hedge and net investment hedge, the lower of the following (in absolute amounts) shall be ~~recorded~~

recognised in equity (in respect of cash flow hedges in the cash flow hedge reserve):

...

- (ii) ***A hedging relationship that ceased to exist before the date of transition because the hedging instrument has expired, was sold, terminated or exercised prior to the date of transition***

A first-time adopter may elect not to adjust the carrying amount of an asset or liability for previous ~~GAAP accounting~~ financial reporting framework effects of a hedging relationship that has ceased to exist.

A first-time adopter may elect to account for amounts deferred in equity in a cash flow hedge under a previous ~~GAAP~~ financial reporting framework, as described in paragraph 12.23(d) from the date of transition. Any amounts deferred in equity in relation to a hedge of a **net investment in a foreign operation** under a previous ~~GAAP~~ financial reporting framework shall not be reclassified to profit or loss on disposal or partial disposal of the **foreign operation**.

...

- (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~~ financial reporting framework.

...

474 Paragraph 35.11 is amended as follows:

- 35.11 If it is **impracticable** for an entity to ~~restate the opening statement of financial position at the date of transition for~~ make one or more of the adjustments required by paragraph 35.7 at the date of transition, the entity shall apply paragraphs 35.7 to 35.10 for such adjustments in the earliest period for which it is practicable to do so, and shall identify ~~the data presented for prior periods that are not comparable with data for the period in which it prepares its first financial statements that conform to this FRS which amounts in the financial statements have not been restated~~. If it is impracticable for an entity to provide any disclosures required by this FRS for any period before the period in which it prepares its first financial statements that conform to this FRS, the omission shall be disclosed.

475 Paragraph 35.11B is amended as follows:

- 35.11B ~~When~~ there is subsequently a significant change in the circumstances or conditions associated with transactions, events or arrangements that existed at the date of transition, to which an exemption has been applied, an entity shall reassess the appropriateness of applying that exemption in preparing subsequent financial statements in order to maintain ~~fair presentation~~ a true and fair view in accordance with Section 3 *Financial Statement Presentation*.

476 Paragraph 35.12A is inserted as follows:

- 35.12A An entity that has applied this FRS in a previous reporting period but not in its most recent annual financial statements, as described in paragraph 35.2, shall disclose:

- (a) the reason it stopped applying this FRS;

- (b) the reason it is resuming the application of this FRS; and
- (c) whether it has applied this section or has applied this FRS retrospectively in accordance with Section 10.

Amendments to Appendix I: Glossary

477 The following paragraphs set out the amendments to Appendix I: *Glossary* (deleted text is struck through, inserted text is underlined).

478 The leading sentence to Appendix I: Glossary is amended as follows:

This ~~glossary appendix~~ is an integral part of the ~~Standard~~ this FRS.

479 A sequentially numbered footnote is inserted (subsequent footnotes are renumbered sequentially) and the glossary is amended as follows (new defined terms are inserted alphabetically):

actuarial assumptions	[The term 'post-employment benefits' is now shown in bold type.]
agricultural activity	[The term 'agricultural produce' is now shown in bold type.]
cash-settled share-based payment transaction	A share-based payment transaction in which the entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of the entity's shares or other equity <u>instruments (including shares and share options)</u> of the entity or another group entity.
combination that is in substance a gift	[The term 'fair value' is now shown in bold type.]
consolidated financial statements	[The term 'financial statements' is now shown in bold type.]
contingent liability	<u>A contingent liability is either:</u> (a) ...
current assets	[The terms 'Regulations' and 'fixed assets' are now shown in bold type.]
current tax	[The terms 'income tax' and 'taxable profit' are now shown in bold type.]
deferred tax	[The term 'income tax' is now shown in bold type.]
deferred tax assets	[The term 'income tax' is now shown in bold type.]
deferred tax liabilities	[The term 'income tax' is now shown in bold type.]
depreciable amount	[The term 'residual value' is now shown in bold type.]
EU-adopted IFRS	[The term 'IFRS' is now shown in bold type.]

fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In the absence of any specific guidance provided in the relevant section of this FRS, the guidance in paragraphs 11.27 to 11.32 the Appendix to Section 2 <i>Concepts and Pervasive Principles</i> shall be used in determining fair value.
financial institution	<p>Any of the following:</p> <p>(a) a bank which is:</p> <p>(i) a firm with a Part IV4A permission²⁷ which includes accepting deposits and:</p> <p>(a) which is a credit institution; or</p> <p>(b) whose Part IV4A permission includes a requirement that it complies with the rules in the General Prudential sourcebook and the Prudential sourcebook for Banks, Building Societies and Investment Firms relating to banks, but which is not a building society, a friendly society or a credit union;</p> <p>...</p> <p>(d) custodian bank, <u>or</u> broker-dealer or stockbroker;</p> <p>...</p> <p>(g) an investment trust, Irish investment company, venture capital trust, mutual fund, exchange traded fund, unit trust, open-ended investment company (OEIC); <u>or</u></p> <p>(h) a retirement benefit plan; or [deleted]</p> <p>(i) any other entity whose principal activity is to generate wealth or manage risk through financial instruments. This is intended to cover entities that have business activities similar to those listed above but are <u>is</u> not specifically included in the that list above.</p> <p>A parent entity whose sole activity is to hold investments in other group entities is not a financial institution.</p> <p>[Footnote 27] is amended as follows:</p> <p>²⁷ As defined in section 40(4)<u>55A</u> of the <i>Financial Services and Markets Act 2000</i> or references to equivalent provisions of any successor legislation.</p>
finance lease	[The term 'operating lease' is now shown in bold type.]
financial liability	<p>Any liability that ...</p> <p>(b) a contract that will or may be settled in the entity's own equity instruments and <u>is</u>:</p> <p>(i) <u>a non-derivative for</u> under which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or</p> <p>(ii) <u>a derivative that</u> will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity</p>

	instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.
first-time adopter of this FRS	An entity that presents its first annual financial statements that conform to this FRS, regardless of whether its previous accounting <u>financial reporting</u> framework was EU-adopted IFRS or another set of accounting standards.
grant date	[The terms 'share-based payment arrangement' and 'vesting conditions' are now shown in bold type.]
group reconstruction	Any one of the following arrangements: (a) the transfer of an equity holding in a subsidiary from one group entity to another; (b) the addition of a new parent entity to a group ; (c) the transfer of equity holdings in one or more subsidiaries of a group to a new entity that is not a group entity but whose equity holders are the same as those of the group's parent; or (d) the combination into a group of two or more entities that before the combination had the same equity holders; <u>(e) the transfer of the business of one group entity to another;</u> <u>or</u> <u>(f) the transfer of the business of one group entity to a new entity that is not a group entity but whose equity holders are the same as those of the group's parent.</u>
hedging gain or loss	[The term 'fair value' is now shown in bold type.]
held as part of an investment portfolio	An interest is held as part of an investment portfolio if its value to the investor is through fair value as part of a directly or indirectly held basket of investments rather than as media through which the investor carries out business . A basket of investments is indirectly held if an investment fund holds a single investment in a second investment fund which, in turn, holds a basket of investments. <u>In some circumstances, it may be appropriate for a single investment to be considered an investment portfolio, for example when an investment fund is first being established and is expected to acquire additional investments.</u>
individual financial statements	[The term 'Act' is now shown in bold type.]
intrinsic value	[The terms 'fair value' and 'share option' are now shown in bold type.]
inventories	[The term 'business' is now shown in bold type.]
lease incentives	[The term 'operating lease' is now shown in bold type.]

market vesting condition	A condition upon which the exercise price, vesting or exercisability of an equity instrument depends that is related to the market price of the entity's equity instruments, such as attaining a specified share price or a specified amount of intrinsic value of a share option, or achieving a specified target that is based on the market price of the entity's equity instruments relative to an index of market prices of equity instruments of other entities.
net debt	Net debt consists of the <u>borrowings of an entity, together with any related derivatives and obligations under finance leases, less any cash and cash equivalents.</u>
notional amount	The quantity of currency units, shares, bushels, pounds or other units specified in a financial instrument contract.
other comprehensive income	Items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by this FRS <u>or by law</u> .
performance condition (in respect of share-based payment arrangements)	<p><u>A vesting condition that requires:</u></p> <p><u>(a) the counterparty to complete a specified period of service (ie a service condition); the service requirement can be explicit or implicit; and</u></p> <p><u>(b) specified performance target(s) to be met while the counterparty is rendering the service required in (a).</u></p> <p><u>The period of achieving the performance target(s):</u></p> <p><u>(a) shall not extend beyond the end of the service period; and</u></p> <p><u>(b) may start before the service period on the condition that the commencement date of the performance target is not substantially before the commencement of the service period;</u></p> <p><u>A performance target is defined by reference to:</u></p> <p><u>(a) the entity's own operations (or activities) or the operations or activities of another entity in the same group (ie a non-market condition); or</u></p> <p><u>(b) the price (or value) of the entity's equity instruments or the equity instruments of another entity in the same group (including shares and share options) (ie a market condition).</u></p> <p><u>A performance target might relate either to the performance of the entity as a whole or to some part of the entity (or part of the group), such as a division or an individual employee.</u></p>
plan assets (of an employee benefit plan)	<p><u>Plan assets (of an employee benefit plan) are:</u></p> <p>(a) ...</p>
principal	[The term 'credit risk' is now shown in bold type.]
recognition	[The terms 'asset', 'liability', 'equity' and 'income' are now shown in bold type.]

related party	[The term 'close member of that person's family' is now shown in bold type.]
restructuring	[The term 'business' is now shown in bold type.]
<u>service condition</u>	<u>A vesting condition that requires the counterparty to complete a specified period of service during which services are provided to the entity. If the counterparty, regardless of the reason, ceases to provide service during the vesting period, it has failed to satisfy the condition. A service condition does not require a performance target to be met.</u>
service potential	The economic utility of an asset, based on the total benefit expected to be derived by the entity from use (and/or through sale) of the asset. The capacity to provide services that contribute to achieving an entity's objectives. Service potential enables an entity to achieve its objectives without necessarily generating net cash inflows.
<u>share-based payment</u>	<u>The equity instruments (including shares and share options), cash or other assets to which a counterparty may become entitled in a share-based payment transaction.</u>
<u>share-based payment arrangement</u>	<u>An agreement between the entity (or another group entity or any shareholder of any group entity) and another party (including an employee) that entitles the other party to receive:</u> <ul style="list-style-type: none"> (a) <u>cash or other assets of the entity for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity; or</u> (b) <u>equity instruments (including shares or share options) of the entity or another group entity,</u> <u>provided the specified vesting conditions, if any, are met.</u>
<u>share-based payment transaction</u>	<u>A transaction in which the entity:</u> <ul style="list-style-type: none"> (a) <u>receives goods or services from the supplier of those goods or services (including an employee services) as consideration for its own equity instruments (including shares or share options) in a share-based payment arrangement; or</u> (b) <u>receives goods or services but has no obligation to settle the transaction with supplier; or</u> (c) <u>acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price (or value) of the entity's shares or other equity instruments of the entity or another group entity. <u>incurs an obligation to settle the transaction with the supplier in a share-based payment arrangement when another group entity receives those goods or services.</u></u>
small entity	<u>A small entity is:</u> <ul style="list-style-type: none"> (a) <u>aA company meeting the definition of a small company as set out in section 382 or 383 of the Act^[*footnote] and not excluded from the small companies regime by section 384;</u>

	<p>(b) an LLP qualifying as small and not excluded from the small LLPs regime, as set out in LLP Regulations; or</p> <p>(c) any other entity that would have met the criteria in (a) had it been a company incorporated under company law.</p> <p>^[*footnote] <u>Irish small entities (including partnerships that are required to comply with Part 6 of the Companies Act 2014, by virtue of the European Communities (Accounts) Regulations 1993) shall refer to sections 280A and 280B of the Companies Act 2014.</u></p>
Statement of Recommended Practice (SORP)	An extant Statement of Recommended Practice developed in accordance with <i>SORPs: Policy on Developing Statements and Code of Recommended Practice (SORPs)</i> . SORPs recommend accounting practices for specialised industries or sectors. They supplement accounting standards and other legal and regulatory requirements in the light of the special factors prevailing or transactions undertaken in a particular industry or sector.
taxable profit (tax loss)	[The term 'income taxes' is now shown in bold type.]
treasury shares	[The term 'group' is now shown in bold type.]
vest	[The terms 'share-based payment arrangement' and 'vesting conditions' are now shown in bold type.]
<u>vesting conditions</u>	<u>The conditions that determine whether the entity receives the services that entitle the counterparty to receive cash, other assets or equity instruments of the entity, under a share-based payment arrangement. Vesting conditions are either service conditions or performance conditions.</u>
<u>vesting period</u>	<u>The period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied.</u>

Amendments to Appendix II: Significant differences between FRS 102 and the IFRS for SMEs

480 This appendix is deleted and subsequent appendices are renumbered sequentially.

Amendments to Appendix III: Table of equivalence for UK Companies Act terminology

481 The following paragraphs set out the amendments to Appendix III: *Table of equivalence for UK Companies Act terminology* (deleted text is struck through, inserted text is underlined).

482 The title of the appendix is amended as follows (including as noted in paragraph 480):

Appendix III: Table of equivalence for ~~UK Companies Act~~ company law terminology

483 The leading paragraph of Appendix III (renumbered to Appendix II) is amended as follows:

The following table compares both UK and Irish company law terminology with broadly equivalent terminology used in FRS 102. In some cases there are minor differences between the broadly equivalent definitions, which are also summarised below.

484 The following amendments are made to the table:

Company law terminology	FRS 102 terminology
<u>Entity</u> [financial statements]	Individual [financial statements]
<u>Financial year end date</u>	<u>Reporting date</u>
Group [accounts / <u>financial statements</u>]	Consolidated [financial statements]
<u>Holding undertaking</u>	<u>Parent</u>
<u>IAS / IFRS</u>	EU-adopted IFRS
Interest payable and similar charges <u>expenses</u>	Finance costs

Amendments to Appendix IV: Note on legal requirements

485 The following paragraphs set out the amendments to Appendix IV: *Note on legal requirements* (deleted text is struck through, inserted text is underlined). As noted in paragraph 480, all paragraphs will be renumbered A3.x and all cross-references to these paragraphs will be updated.

486 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 A3.43 to A3.47).~~

487 Paragraph A4.12B is deleted 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 in the EU and is therefore the reference point for paragraph 36(4) of Schedule 1 to the Regulations.~~[Deleted]

488 Paragraph A4.17 is amended as follows:

A4.17 Paragraph 9.9BC(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 and 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).

489 Paragraph A4.24A is inserted as follows:

A4.24A Section 615 permits the relief to be reflected in determining the amount at which the shares or other consideration provided for the shares issued are recognised. Therefore, when applying the cost model, any other consideration transferred may also be measured at an amount that reflects the relief available.

490 Paragraph A4.29 is amended as follows:

A4.29 The determination of profits available for distribution is a complex area where accounting and company law interface. In determining profits available for distribution an entity may refer to Technical Release 02/10~~7~~BL *Guidance on realised and distributable profits under the Companies Act 2006* issued by the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of Scotland, or any successor document, to determine profits available for distribution.

491 The subheading (not underlined) and paragraphs A4.37B and A4.37C are inserted as follows:

Recognition of incoming resources from non-exchange transactions by charitable companies

A4.37B Paragraph PBE34.67 requires the receipt of resources from non-exchange transactions to be recognised in income. This includes situations when items of property, plant and equipment, or inventory, are received. The income will be measured at the fair value of the assets received, which are measured in accordance with paragraphs PBE34.73 and PBE34B.15 to PBE34B.18.

A4.37C Charities that are companies are required to comply with the requirements of the Regulations, and may need to consider whether any gains are unrealised. Unrealised gains cannot be recognised in profit or loss, and should be presented as part of other comprehensive income.

492 The subheading (not underlined) and paragraph A4.37D are inserted as follows:

Other assets included at fair value

A4.37D Paragraphs 13.3, 16.4A, 16.4B and 34.2 to 34.10A permit an entity to subdivide inventory, investment property and biological assets into classes such that some classes may be measured at cost, and others at fair value. This is consistent with the most reasonable and common sense interpretation of paragraph 39 of Schedule 1 to the Regulations.

493 The subheading (not underlined) and paragraph A4.40A are inserted as follows:

Presentation of amounts due under contracts

A4.40A Paragraph 23.35 requires amounts due from customers for contract work to be presented as part of inventories when it represents work in progress (ie costs incurred are greater than costs recognised as expenses). This is in order to meet company law presentation requirements.

494 The subheading (not underlined) and paragraphs A4.40B and A4.40C are inserted as follows:

Presentation and disclosure when using fair value as deemed cost on transition to this FRS

A4.40B Paragraph 35.10(c) permits first-time adopters to use a fair value at the transition date as the deemed cost of an item of property, plant and equipment, an investment property or an intangible asset. Paragraph 1.19(a) provides a similar option for investment property rented to other group entities, which is accounted for as property, plant and equipment, on the first application of the *Triennial review 2017 amendments*.

A4.40C If an entity elects to take these transitional exemptions in relation to property, plant and equipment, intangible assets or investment property rented to another group entity, these assets are measured under the alternative accounting rules as they are no longer carried on a cost basis. Therefore, any fair value uplift on transition to this FRS must be recognised in a revaluation reserve and the additional disclosures required by paragraph 34 of Schedule 1 to the Regulations must be given.

495 The subheading (not underlined) and paragraphs A4.40D to A4.40F are inserted as follows:

Related party disclosures – exemption for wholly-owned subsidiaries

A4.40D Paragraph 33.1A repeats the legal exemption from disclosing certain related party transactions. It states that “disclosures required by this section 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”. This exemption is derived from paragraph 72(4) of Schedule 1 to the Regulations.

A4.40E This exemption may be applied to transactions between entities within a sub-group when the transacting subsidiary is wholly-owned by the intermediate parent of that sub-group, even if that intermediate parent is not wholly-owned by the ultimate controlling parent.

A4.40F In our view, this exemption may not be applied to transactions between entities in an intermediate parent’s sub-group (including the intermediate parent itself) and the entities in the larger group if the intermediate parent is not wholly-owned by the parent of that larger group. Otherwise related party transactions could be obscured by a partly-owned intermediate parent creating a wholly-owned subsidiary and passing transactions through it.

496 Paragraph A4.43 is amended as follows:

A4.43 Limited liability partnerships (LLPs) will be applying this 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.

497 Paragraphs A4.44 to A4.47 and the related subheadings are deleted as follows:

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. [Deleted]~~

~~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. [Deleted]~~

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. [Deleted]~~

LLP consolidated financial statements

A4.47 ~~When LLPs prepare consolidated financial statements, whether mandatorily or voluntarily, 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. [Deleted]~~

Amendments to Appendix V: Previous consultations

498 This appendix is deleted and subsequent appendices are renumbered sequentially.

Amendments to Appendix VI: Republic of Ireland (RoI) legal references

499 Appendix VI: *Republic of Ireland (RoI) legal references* is being updated to include Republic of Ireland legal references and will be included in the next edition of this FRS.

Amendments to other FRSs

Amendments to other FRSs

500 The following paragraphs set out the amendments to the following standards (deleted text is struck through, inserted text is underlined):

- (a) FRS 100 *Application of Financial Reporting Requirements*;
- (b) FRS 101 *Reduced Disclosure Framework*;
- (c) FRS 103 *Insurance Contracts*;
- (d) FRS 104 *Interim Financial Reporting*; and
- (e) FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*.

Amendments to FRS 100 *Application of Financial Reporting Requirements*

FRS 100 *Application of Financial Reporting Requirements*

501 Paragraph 3 and the subheading above it are deleted as follows:

Abbreviations and definitions

3 The terms **Accounting Directive, Act, date of transition, EU-adopted IFRS, financial institution, FRS 100, FRS 101, FRS 102, FRS 105, IAS Regulation, IFRS, individual financial statements, public benefit entity, qualifying entity, small entity** and **SORP** are defined in the glossary included as Appendix I to this FRS. ~~[Deleted]~~

502 In paragraph 4, the following terms are now shown in bold type:

- (a) the first mention of 'EU-adopted IFRS';
- (b) 'FRS 101';
- (c) 'FRS 102';
- (d) the first mention of 'FRS 105';
- (e) 'IAS Regulation';
- (f) the first mention of 'individual financial statements'; and
- (g) 'qualifying entity'.

503 In paragraph 5, the term 'SORP' is now shown in bold type and the paragraph is amended as follows:

5 If an entity's financial statements are prepared in accordance with FRS 102, **SORPs** will apply in the circumstances set out in ~~that FRS~~ those SORPs.

504 In paragraph 6, the first mention of the term 'small entity' is now shown in bold type.

505 Paragraph 10A is inserted as follows:

10A In December 2017 amendments were made to this FRS as a result of the triennial review 2017. An entity shall apply the amendments to this FRS as set out in the *Triennial review 2017 amendments for accounting periods beginning on or after 1 January 2019*. Early application is permitted provided that all the amendments to this FRS are applied at the same time.

506 In paragraph 11(b), the term 'date of transition' is now shown in bold type.

507 In paragraph 12, the first mention of the term 'Act' is now shown in bold type.

Application Guidance: The Interpretation of Equivalence

508 The leading sentence to the Application Guidance is amended as follows:

This application guidance ~~forms~~ is an integral part of this FRS-100.

509 In paragraph AG1(a), the term 'Accounting Directive' is now shown in bold type.

510 Paragraph AG2 is amended as follows:

AG2 FRS 101 and FRS 102 permit certain exemptions from disclosures, but those exemptions are in some cases subject to **equivalent** disclosures being included in the consolidated financial statements of the group in which the entity is consolidated. FRS 102 also permits an alternative measurement option for certain share-based payment transactions provided an equivalent basis is used.

511 Paragraph AG3 is amended as follows:

AG3 This Application Guidance provides guidance on interpreting the meaning of equivalence in the ~~two~~three circumstances set out above.

512 In paragraph AG6(c), the term 'IFRS' is now shown in bold type.

513 Paragraph AG7 is amended as follows:

AG7 A mechanism to ...

Further, third country issuers shall be permitted to prepare their annual consolidated financial statements and half-yearly consolidated financial statements in accordance with the Generally Accepted Accounting Principles of the Republic of India for financial years starting before 1 ~~January~~April 2015~~6~~. For reporting periods beginning on or after 1 ~~January~~April 2015~~6~~, in relation to ~~GAAP~~ of the Republic of India, equivalence should be assessed on the basis of the particular facts.

Appendix I: Glossary

514 A sequentially numbered footnote is inserted (subsequent footnotes are renumbered sequentially) and the glossary is amended as follows :

financial institution	<p>Any of the following:</p> <p>(a) a bank which is:</p> <p>(i) a firm with a Part IV permission¹² which includes accepting deposits and:</p> <p>(a) which is a credit institution; or</p> <p>(b) whose Part IV permission includes a requirement that it complies with the rules in the General Prudential sourcebook and the Prudential sourcebook for Banks, Building Societies and Investment Firms relating to banks, but which is not a building society, a friendly society or credit union;</p> <p>(ii) an EEA bank which is a full credit institution;</p> <p>(b) a building society which is defined in section 119(1) of the Building Societies Act 1986 as a building society incorporated (or deemed to be incorporated) under that act;</p> <p>(c) a credit union, being a body corporate registered under the Industrial and Provident Societies Act 1965 as a credit union in accordance with the Credit Unions Act 1979, which is an authorised person;</p> <p>(d) custodian bank, broker-dealer or stockbroker;</p> <p>(e) an entity that undertakes the business of effecting or carrying out insurance contracts, including general and life assurance entities;</p>
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	<p>(f) an incorporated friendly society incorporated under the Friendly Societies Act 1992 or a registered friendly society registered under section 7(1)(a) of the Friendly Societies Act 1974 or any enactment which it replaced, including any registered branches;</p> <p>(g) an investment trust, Irish investment company, venture capital trust, mutual fund, exchange traded fund, unit trust, open-ended investment company (OEIC);</p> <p>(h) a retirement benefit plan; or</p> <p>(i) any other entity whose principal activity is to generate wealth or manage risk through financial instruments. This is intended to cover entities that have business activities similar to those listed above but are not specifically included in the list above.</p> <p>A parent entity whose sole activity is to hold investments in other group entities is not a financial institution.</p> <p>⁴² As defined in section 40(4) of the Financial Services and Markets Act 2000 or references to equivalent provisions of any successor legislation.</p>
FRS 100	FRS 100 <i>Application of Financial Reporting Requirements</i>
public benefit entity	An entity whose primary objective is to provide goods or services for the general public, community or social benefit and where any equity is provided with a view to supporting the entity's primary objectives rather than with a view to providing a financial return to equity providers, shareholders or members.
small entity	<p>A small entity is:</p> <p>(a) a a company meeting the definition of a small company as set out in section 382 or 383 of the Act^[*footnote] and not excluded from the small companies regime by section 384;</p> <p>(b) an LLP qualifying as small and not excluded from the small LLPs regime, as set out in LLP Regulations; or</p> <p>(c) any other entity that would have met the criteria in (a) had it been a company incorporated under company law.</p> <p>^[*footnote] <u>Irish small entities (including partnerships that are required to comply with Part 6 of the Companies Act 2014, by virtue of the European Communities (Accounts) Regulations 1993) shall refer to sections 280A and 280B of the Companies Act 2014.</u></p>
Statement of Recommended Practice (SORP)	An extant Statement of Recommended Practice developed in accordance with <i>SORPs: Policy on Developing Statements and Code of Recommended Practice (SORPs)</i>. SORPs recommend accounting practices for specialised industries or sectors. They supplement accounting standards and other legal and regulatory requirements in the light of the special factors prevailing or transactions undertaken in a particular industry or sector.

Appendix III: Previous consultations

515 This appendix is deleted and subsequent appendices are renumbered.

Amendments to FRS 101 *Reduced Disclosure Framework*

FRS 101 *Reduced Disclosure Framework*

516 In paragraph 1, the terms 'EU-adopted IFRS' and 'individual financial statements' are now shown in bold type.

517 In paragraph 2, the term 'qualifying entity' is now shown in bold type.

518 In paragraph 3, the term 'Act' is now shown in bold type.

519 Paragraph 4 is deleted as follows:

4 The terms ~~Act, date of transition, EU-adopted IFRS, financial institution, FRS 100, FRS 101, FRS 102, IAS Regulation, IFRS, individual financial statements, public benefit entity, qualifying entity and Regulations~~ are defined in the glossary included as Appendix I to this FRS. [Deleted]

520 In paragraph 5, the term 'Regulations' is now shown in bold type.

521 In paragraph 7, the term 'financial institution' is now shown in bold type and the paragraph is amended as follows:

7 A qualifying entity which is a **financial institution** may take advantage in its individual financial statements of the disclosure exemptions set out in paragraphs 7A8 to 9 of this FRS, except for:

...

522 In paragraph 7A, the terms 'date of transition' and 'FRS 100' are now shown in bold type and the paragraph is amended as follows:

7A On first-time adoption of this standard, a qualifying entity shall apply the requirements of paragraphs 6 to 33 of IFRS 1 *First-time adoption of International Financial Reporting Standards* (subject to the requirements of paragraph 12 of **FRS 100**) except for the requirement of paragraphs 6 and 21 to present an opening statement of financial position at the **date of transition**. References to IFRS in IFRS 1 shall be interpreted as references to EU-adopted IFRS as amended in accordance with paragraph 5(b) of this FRS.

523 Footnote 4 to paragraph 8 is amended as follows:

4 It should be noted that companies which are subject to the requirements of the Act and Regulations are legally required to provide disclosures related to financial instruments and assets and liabilities measured at fair value, including financial instruments those measured at fair value. Further guidance in relation to financial instruments measured at fair value is provided in Appendix II *Note on legal requirements*.

524 Paragraph 10 is amended as follows:

10 ~~When~~ a qualifying entity prepares its financial statements in accordance with ~~this FRS 101~~, it shall state in the notes to the financial statements: '*These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.*' The financial statements of such an entity do not comply with all of the requirements of EU-adopted IFRS and shall not therefore contain the unreserved statement of compliance referred to in paragraph 3 of IFRS 1 and otherwise required by paragraph 16 of IAS 1 *Presentation of Financial Statements*.

525 Paragraph 14 is inserted as follows:

14 In December 2017 amendments were made to this FRS as a result of the triennial review 2017. An entity shall apply the amendments to this FRS as set out in the Triennial review 2017 amendments for accounting periods beginning on or after 1 January 2019. Early application is permitted provided that all the amendments to this FRS are applied at the same time. If an entity applies the Triennial review 2017 amendments before 1 January 2019 it shall disclose that fact.

Application Guidance: Amendments to International Financial Reporting Standards as Adopted in the European Union for Compliance with the Act and the Regulations

526 The leading sentence to the Application Guidance is amended as follows:

This application guidance forms an integral part of this FRS-101.

527 Paragraph AG1 is amended as follows:

AG1 In accordance with the Act, an entity may prepare Companies Act accounts or IAS accounts. A qualifying entity which applies this FRS 101 prepares Companies Act accounts. This Application Guidance ~~to FRS 101~~ sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations (deleted text is struck through and inserted text is underlined):

528 Paragraph AG1(a) is amended with the final sentence (underlined) being replaced with the following:

AG1(a) Paragraph D16 of ...

A qualifying entity that applies this provision must ensure that its assets and liabilities are measured in compliance with company law.

529 Paragraph AG1(b) is amended with the final sentence (underlined) being replaced with the following:

AG1(b) Paragraph D17 of ...

A qualifying entity that applies this provision must ensure that its assets and liabilities are measured in compliance with company law.

Appendix I: Glossary

530 The following sentence is inserted at the start of Appendix I: Glossary:

Appendix I: Glossary

This appendix is an integral part of this FRS.

531 The glossary is amended as follows:

financial institution	Any of the following: (a) a bank which is: (i) a firm with a Part IV4A permission ¹⁴ which includes accepting deposits and: (a) which is a credit institution; or (b) whose Part IV4A permission includes a requirement that it complies with the rules in the
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	<p>General Prudential sourcebook and the Prudential sourcebook for Banks, Building Societies and Investment Firms relating to banks, but which is not a building society, a friendly society or a credit union;</p> <p>...</p> <p>(d) custodian bank, or broker dealer or stockbroker;</p> <p>...</p> <p>(g) an investment trust, Irish investment company, venture capital trust, mutual fund, exchange traded fund, unit trust, open-ended investment company (OEIC); or</p> <p>(h) a retirement benefit plan; or [deleted]</p> <p>(i) any other entity whose principal activity is to generate wealth or manage risk through financial instruments. This is intended to cover entities that have business activities similar to those listed above but are is not specifically included in the that list above.</p> <p>[Footnote 14 is amended as follows:]</p> <p>¹⁴ As defined in section 40(4)55A of the <i>Financial Services and Markets Act 2000</i> or references to equivalent provisions of any successor legislation.</p>
FRS 101	FRS 101 Reduced Disclosure Framework
FRS 102	FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland
IAS Regulation	EU Regulation 1606/2002
public benefit entity	An entity whose primary objective is to provide goods or services for the general public, community or social benefit and where any equity is provided with a view to supporting the entity's primary objectives rather than with a view to providing a financial return to equity providers, shareholders or members.

Appendix II: Note on legal requirements

532 Paragraph A2.9A is amended as follows:

A2.9A A qualifying entity ...

This option is not available to a qualifying entity applying Schedule 2 or Schedule 3 to the Regulations ~~or Schedule 1 to the LLP Regulations.~~

533 Paragraph A2.10 is amended as follows:

A2.10 In relation to paragraph A2.9B(d), in most cases ...

534 Paragraph A2.10A is inserted as follows:

A2.10A A qualifying entity that has a disposal group must ensure that its presentation of the disposal group, in accordance with paragraph 38 of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, meets company law requirements. A single line presentation of non-current assets (or liabilities)

held for sale will usually not meet company law requirements. Therefore additional disaggregation shall be provided either in the statement of financial position or in the notes. When the items are material this shall be on the face of the statement of financial position.

535 Paragraph A2.11 is amended as follows:

A2.11 Schedule 2 and Schedule 3 to the Regulations ~~and the LLP Regulations~~ require the separate disclosure of extraordinary items in the profit and loss account. A qualifying entity applying Schedule 2 or Schedule 3 and preparing financial statements in accordance with FRS 101 must therefore disclose items that are deemed to be extraordinary items separately in the statement of comprehensive income. Entities should note that extraordinary items are extremely rare as they relate to highly abnormal events or transactions.

536 Paragraph A2.16 is amended as follows:

A2.16 Entities should also continue to note that whether profits are available for distribution must be determined in accordance with applicable law. Entities may also refer to the Technical Release 02/107BL *Guidance on Realised and Distributable Profits under the Companies Act 2006* issued by the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of Scotland or any successor document, to determine profits available for distribution.

Amendments to Appendix III: Previous consultations

537 This appendix is deleted and subsequent appendices are renumbered sequentially.

Amendments to FRS 103 *Insurance Contracts*

Section 1 Scope

538 Paragraph 1.4 is amended as follows:

1.4 The Implementation Guidance ...

In particular the Implementation Guidance may be relevant as follows:

- (a) Section 1: Guidance for entities with long-term business provides guidance on applying Section 3 of this FRS-403.
- (b) Section 2: Guidance for entities with general insurance business or long-term business provides guidance for all entities applying this FRS-403.
- (c) Section 3: Guidance on capital disclosures for entities with long-term insurance business applies to entities with long-term insurance business.

539 Paragraph 1.11(b) is amended as follows:

1.11 (b) disclose the fact that it has applied this FRS 403 before 1 January 2015.

540 Paragraph 1.11B is inserted as follows:

1.11B In December 2017 amendments were made to this FRS as a result of the triennial review 2017. An entity shall apply the amendments to this FRS as set out in the *Triennial review 2017 amendments* for accounting periods beginning on or after 1 January 2019. Early application is permitted provided that all the amendments to this FRS are applied at the same time.

Section 2 *Accounting Policies, Recognition and Measurement*

541 Paragraph 2.1 is amended as follows:

2.1 This section sets out the requirements ~~provides guidance for~~ selecting and applying the **accounting policies** used in the **recognition** and measurement of **insurance contracts** when preparing **financial statements**. Entities with **long-term insurance business** shall also apply the requirements of Section 3 *Recognition and Measurement: Requirements* for entities with long-term insurance business in selecting accounting policies for long-term insurance business.

542 Paragraph 2.12 is amended as follows:

2.12 Paragraphs 10.4 to 10.6 of FRS 102 set out how an entity's management shall use its judgement in developing and applying an accounting policy if no FRS ~~or FRG Abstract~~ applies specifically to a transaction, other event or condition. However, this FRS exempts an insurer from the considerations in paragraphs 10.4 to 10.6 of FRS 102 in relation to its accounting policies for:

- (a) ...

Section 3

Recognition and Measurement: Requirements for entities with long-term insurance business

543 Paragraph 3.1 is amended as follows:

3.1 This section sets out the requirements for entities applying this FRS that are carrying out **long-term insurance business**:

(a) ...

Section 4

Disclosure

544 Paragraph 4.1 is amended as follows:

4.1 This section ~~describes~~ sets out the disclosures to be provided by **insurers** in addition to the disclosure requirements of **FRS 102**.

545 Paragraph 4.2 is amended as follows:

4.2 In accordance with paragraph 8.5 of FRS 102, an entity shall disclose, in ~~the summary of its~~ significant **accounting policies**, in relation to both **insurance contracts** and **financial instruments** that it issues with a **discretionary participation feature**:

(a) ...

Section 5

Disclosure: Additional requirements for with-profits business

546 Paragraph 5.1 is amended as follows:

5.1 This section ~~describes~~ sets out the disclosures to be provided by **insurers** that have liabilities arising from **with-profits business**, in addition to the disclosure requirements of **FRS 102** and Section 4 *Disclosure* of this FRS.

Appendix I: Glossary

547 The leading sentence is amended as follows:

~~This glossary appendix is an integral part of the Standard~~ this FRS.

548 The glossary is amended as follows:

fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In the absence of any specific guidance provided in the relevant section of this FRS, the guidance in paragraphs 11.27 to 11.32 <u>the Appendix to Section 2 <i>Concepts and Pervasive Principles</i></u> of FRS 102 shall be used in determining fair value.
financial institution	Any of the following: ... (d) custodian bank, <u>or</u> broker-dealer or stockbroker ; ...

	<p>(g) an investment trust, Irish investment company, venture capital trust, mutual fund, exchange traded fund, unit trust, open-ended investment company (OEIC); <u>or</u></p> <p>(h) a retirement benefit plan; or<u>[deleted]</u></p> <p>(i) any other entity whose principal activity is to generate wealth or manage risk through financial instruments. This is intended to cover entities that have business activities similar to those listed above but are <u>is</u> not specifically included in the <u>that</u> list above.</p> <p>...</p>
financial liability	<p>Any liability that ...</p> <p>(b) a contract that will or may be settled in the entity's own equity instruments and <u>is</u>:</p> <p>(i) <u>a non-derivative for</u> under which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or</p> <p>(ii) <u>a derivative that</u> will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.</p>
FRS 103	FRS 103 Insurance Contracts

Appendix II: Definition of an insurance contract

549 The leading sentence is amended as follows:

This appendix is an integral part of ~~the~~ this FRS.

Appendix III: Table of concordance between FRS 103, FRS 27 and the ABI SORP

550 The leading sentence is amended as follows:

This appendix maps the source material in FRS 27 and the ABI SORP into ~~the~~ this FRS.

Amendments to FRS 104 *Interim Financial Reporting*

FRS 104 *Interim Financial Reporting*

551 Paragraph 3 is amended as follows:

- 3 An entity that makes a statement of compliance with this FRS shall comply with all of the provisions of this FRS. This FRS does ~~need~~ not need to be applied to immaterial items.

552 Paragraph 8F is amended as follows:

- 8F Paragraph 8(d) does not apply to an entitiesy that will not present a statement of cash flows in its next annual financial statements.

553 Paragraph 56A is inserted as follows:

- 56A In December 2017 amendments were made to this FRS as a result of the triennial review 2017. An entity shall apply the amendments to this FRS as set out in the *Triennial review 2017 amendments* for interim periods beginning on or after 1 January 2019. Early application is permitted if an entity also applies the *Triennial review 2017 amendments* to FRS 101 or FRS 102 for an accounting period beginning before 1 January 2019.

Appendix I: Glossary

554 The leading sentence is amended as follows:

This ~~glossary appendix~~ is an integral part of this FRS-104.

555 The glossary is amended as follows:

fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In the absence of any specific guidance provided in the relevant section of this FRS, the guidance in paragraphs 11.27 to 11.32 <u>the Appendix to Section 2 <i>Concepts and Pervasive Principles</i> of FRS 102</u> shall be used in determining fair value.
financial liability	Any liability that ... (b) a contract that will or may be settled in the entity's own equity instruments and <u>is</u> : (i) <u>a non-derivative for</u> under which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or (ii) <u>a derivative that will</u> or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.
other comprehensive income	Items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by FRS 102 <u>or by law</u> .

Appendix II: Illustrations and examples

556 The leading sentence is amended as follows:

This appendix accompanies, but is not part of this FRS-104. It provides guidance for applying some of the requirements in this FRS-104.

Appendix IV: Table of comparison between terminology used in the DTRs and FRS 104

557 The leading sentence is amended as follows:

The following table compares broadly equivalent terminology used in the Disclosure and Transparency Rules (DTRs) with terminology used in this FRS-104.

Amendments to FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*

Section 1

Scope

558 Paragraph 1.4 is amended as follows:

- 1.4 A micro-entity applying the micro-entities regime in the UK shall apply this FRS for accounting periods beginning on or after 1 January 2016. Early application is permitted.

559 Paragraph 1.4A is inserted as follows:

- 1.4A A micro-entity applying the micro-entities regime in the Republic of Ireland shall apply this FRS for accounting periods beginning on or after 1 January 2017. Early application is permitted provided the *Companies (Accounting) Act 2017* is applied from the same date.

560 Paragraph 1.5 is amended as follows:

- 1.5 In May 2016 amendments were made to this FRS to extend its scope to include **limited liability partnerships (LLPs)** and **qualifying partnerships** following a change in UK legislation. An LLP or a qualifying partnership which qualifies as a micro-entity in the UK and is applying the micro-entities regime shall apply this FRS for accounting periods beginning on or after 1 January 2016. Early application by a micro-entity that is an LLP or a qualifying partnership is:

...

561 Paragraph 1.6 and a sequentially numbered footnote are inserted (subsequent footnotes are renumbered sequentially) as follows:

- 1.6 In December 2017 amendments were made to this FRS as a result of the triennial review 2017.

- (a) A micro-entity in the UK shall apply the amendments to this FRS as set out in the *Triennial review 2017 amendments* for accounting periods beginning on or after 1 January 2019, except for the amendments to Section 6 *Notes to the Financial Statements* (including its appendices) which shall apply for accounting periods beginning on or after 1 January 2017^[*footnote].

Early application is permitted provided that all the amendments to this FRS are applied at the same time.

^[*footnote] Section 6 reflects legal requirements that are applicable in the UK for accounting periods beginning on or after 1 January 2016.

- (b) A micro-entity in the Republic of Ireland shall apply the amendments to this FRS that incorporate the micro-entities regime in the Republic of Ireland in accordance with paragraph 1.4A, and shall apply the other amendments set out in the *Triennial review 2017 amendments* for accounting periods beginning on or after 1 January 2019.

Early application of the other amendments is permitted provided that all of these other amendments are applied at the same time.

Section 2

Concepts and Pervasive Principles

562 Paragraph 2.31 is amended as follows:

- 2.31 Under limited circumstances this FRS requires a micro-entity to estimate the cost of an asset or liability based on its **fair value**. Where this FRS requires a micro-entity to determine the fair value of an asset or liability, it shall use the following ~~hierarchy methodology~~ to estimate the fair value:
- (a) The best evidence of fair value is the open market price for an identical asset or liability (or similar asset or liability) in an **active market**.
 - (b) When an open market price is not available, the price of a recent transaction for an identical asset or liability (or similar asset or liability) in an arm's length transaction between knowledgeable, willing parties provides evidence of fair value. as long as there has not However, this price may not be a good estimate of fair value if there has been a significant change in economic circumstances or a significant ~~lapse~~ period of time since between the date of the binding sale agreement or the transaction, and the measurement date took place.
 - (c) If neither (a) nor (b) above are available, the fair value shall be estimated using a valuation technique. The objective of using another valuation technique is to estimate what the price of a recent transaction for an identical asset or liability (or similar asset or liability) would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

563 The subheading (underlined) and paragraph 2.38 are inserted as follows:

Disclosures

- 2.38 An Irish micro-entity shall disclose information in relation to assets or income set off against amounts in respect of items representing liabilities or expenditure or vice versa in accordance with Appendix B to Section 6 *Notes to the Financial Statements*.

Section 3

Financial Statement Presentation

564 Paragraph 3.1 is amended as follows:

- 3.1 This section ~~explains~~ sets out what compliance with this FRS requires and what makes up a complete set of **financial statements** for a **micro-entity**.

565 Paragraph 3.8 is amended and a sequentially numbered footnote is inserted (subsequent footnotes are renumbered sequentially) as follows:

- 3.8 This FRS specifies information that is required to be included in the financial statements of a micro-entity, which includes the notes. A micro-entity need not provide a specific disclosure required by this FRS if the information resulting from that disclosure is not **material**, except when required by the Act^[*footnote] regardless of materiality. This exemption does not apply to the disclosures required by paragraph 6.2(a).

[*footnote] For Irish micro-entities reference to the Act shall be replaced with the Companies Act 2014.

566 Paragraph 3.9 is amended as follows:

- 3.9 A complete set of financial statements of a micro-entity shall include the following:
- (a) a statement of financial position as at the reporting date with notes included at the foot of the statement^[*footnote]; and
 - (b) an income statement for the reporting period.

[*footnote] Irish micro-entities are not required to include the notes to the financial statements at the foot of the statement of financial position.

567 Paragraph 3.13A and a sequentially numbered footnote are inserted (subsequent footnotes are renumbered sequentially) as follows:

3.13A In accordance with section 396(A1) of the Act, the financial statements of a micro-entity in the UK shall state:

- (a) the part of the United Kingdom in which the micro-entity is registered;
- (b) the micro-entity's registered number;
- (c) whether the micro-entity is a public or private company and whether it is limited by shares or by guarantee^[*footnote];
- (d) the address of the micro-entity's registered office; and
- (e) where appropriate, the fact that the micro-entity is being wound up.

[*footnote] Public companies are excluded from the micro-entities regime, therefore a micro-entity shall state that it is a private company. Sub-paragraph (c) does not apply to micro-entities that are LLPs.

568 Paragraph 3.13B is inserted as follows:

3.13B In accordance with section 291(3A) of the Companies Act 2014, the financial statements of a micro-entity in the Republic of Ireland shall state the following:

- (a) the name and legal form of the micro-entity;
- (b) the place of registration of the micro-entity and the number under which it is registered;
- (c) the address of its registered office; and
- (d) if relevant, the fact that the micro-entity is being wound up, and where appropriate, whether a receiver or a provisional liquidator has been appointed and the former name as well as the existing name of the micro-entity if the winding up of the micro-entity commences within one year after the date on which it has changed its name.

569 In paragraph 3.14, the term 'statement of financial position' is no longer shown in bold type, the footnote is moved to the end of the sentence and the paragraph is amended as follows:

3.14 ~~In accordance with section 414(3) of the Act⁴, f~~Financial statements prepared in accordance with the **micro-entity provisions** shall contain on the statement of financial position, in a prominent position above the signature, ~~contain~~ a statement that the financial statements are prepared in accordance with the micro-entity provisions⁴.

⁴ This is required by section 414(3) of the Act, or Or, when relevant, Regulation 12 of the *Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008* (SI 2008/191) for micro-entities in the UK and section 324(4A) of the Companies Act 2014 for micro-entities in the Republic of Ireland.

570 The subheading (underlined) and paragraph 3.15 are inserted as follows:

Disclosures

3.15 An Irish micro-entity shall disclose particulars of any departure from the principles set out in company law in preparing the micro-entity's financial statements, the reasons for it and its effects on the statement of financial position and income statement in accordance with Appendix B to Section 6 *Notes to the Financial Statements*.

Section 4
Statement of Financial Position

571 Paragraph 4.1 is amended as follows:

4.1 A **micro-entity** shall present its **financial position** at the end of the **reporting period**. This section sets out the information that ~~is to~~ shall be presented in a **statement of financial position** and how to present it. The statement of financial position (which is referred to as the balance sheet in the Act) presents a micro-entity's **assets, liabilities** and **equity** as ~~of a specific date at~~ the end of the reporting period.

572 In paragraph 4.3, a sequentially numbered footnote is inserted as follows (subsequent footnotes are renumbered sequentially):

4.3 A micro-entity shall present a statement of financial position in accordance with one of the formats set out in Section C of Part 1 of Schedule 1 to the **Small Companies Regulations**^[*footnote] or Section C of Part 1 of Schedule 1 to the **Small LLP Regulations** as illustrated below:

...

^[*footnote] Irish micro-entities shall refer to Section B of Part II of Schedule 3B to the Companies Act 2014.

573 The subheading (underlined) and paragraph 4.5 are inserted as follows:

Disclosures

4.5 An Irish micro-entity shall disclose information in relation to the following items in accordance with Appendix B to Section 6 *Notes to the Financial Statements*:

(a) a change in the format of the statement of financial position adopted;

(b) an asset or liability that relates to more than one of the items listed in the statement of financial position; and

(c) any debts included under 'creditors' against which security has been given.

Section 5
Income Statement

574 Paragraph 5.1 is amended as follows:

5.1 ~~This section requires a~~ A **micro-entity** shall ~~to~~ present its **profit or loss** for a period, ie its financial **performance** for the period. ~~†This section~~ sets out the information that ~~is to~~ shall be presented in the **income statement** (which is referred to as the profit and loss account in the Act) and how to present it.

575 In paragraph 5.3, a sequentially numbered footnote is inserted as follows. Subsequent footnotes are renumbered sequentially:

- 5.3 A micro-entity shall present its profit or loss for a period in an income statement in accordance with Section C of Part 1 of Schedule 1 to the **Small Companies Regulations**^[*footnote] or Section C of Part 1 of Schedule 1 to the **Small LLP Regulations**, as illustrated below:

...

[*footnote] Irish micro-entities shall refer to Section B of Part II of Schedule 3B to the Companies Act 2014.

576 Paragraph 5.4 is amended as follows:

- 5.4 An entity shall recognise all items of **income** and **expense** in a period in profit or loss unless an FRS requires or permits otherwise, or unless prohibited by the Act. For example, ~~u~~Under this FRS, the effects of corrections of **material errors** and changes in **accounting policies** are presented as retrospective adjustments of prior periods rather than as part of profit or loss in the period in which they arise (see Section 8 *Accounting Policies, Estimates and Errors*).

Section 6

Notes to the Financial Statements

577 Paragraph 6.2 is amended, new sub-paragraphs (a) and (b) are inserted and the existing sub-paragraphs (a) and (b) are renumbered as (c) and (d) as follows:

- 6.2 ~~In accordance with section 472(1A) of the Act, t~~The notes to the financial statements of a micro-entity in the UK shall be presented at the foot of the **statement of financial position** and shall include the following information:
- (a) Information about off-balance sheet arrangements as required by section 410A of the Act (see paragraph 6A.1 of Appendix A to this section);
 - (b) information about employee numbers as required by section 411 of the Act (see paragraph 6A.2 of Appendix A to this section);
 - ~~(a)~~(c) advances, credit and guarantees to directors as required by section 413 of the Act (see paragraph 6A.1 ~~in of the Appendix A~~ to this ~~S~~section); and
 - ~~(b)~~(d) financial commitments, guarantees and contingencies as required by regulation 5A of, and paragraph 57 of Part 3 of Schedule 1 to, the **Small Companies Regulations** (see paragraphs 6A.2 and 6A.3 ~~in of the Appendix A~~ to this ~~S~~section).

578 Paragraph 6.4 is inserted as follows:

- 6.4 Appendix B to this section sets out the disclosure requirements applicable to micro-entities in the Republic of Ireland.

Appendix to Section 6 – Company law disclosure requirements

579 The heading and leading sentence are amended as follows:

Appendix A to Section 6

Company law disclosure requirements for micro-entities in the UK

This appendix is an integral part of ~~this FRS~~Section 6.

This appendix sets out the company law disclosure requirements referred to in paragraph 6.2 for micro-entities in the UK. Other than substituting company law terminology with the equivalent terminology used in this FRS (see Appendix II Table of equivalence for ~~UK Companies Act~~ company law terminology), the ~~text~~ drafting is as close as possible to that set out in company law.

When~~re~~ this FRS contains a disclosure requirement related to a company law requirement this has been indicated.

580 Paragraphs 6A.1, 6A.2 and 6A.3 are renumbered as paragraphs 6A.3, 6A.4 and 6A.5, and new paragraphs 6A.1 and 6A.2 are inserted as follows:

6A.1 *If in any reporting period a micro-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 micro-entity to be assessed. (Section 410A of the Act)*

6A.2 *The notes to a micro-entity's financial statements must disclose the average number of persons employed by the micro-entity in the financial year. (Section 411 of the Act)*

581 Paragraph 6A.2 (now renumbered to 6A.4) is amended as followed:

6A.24 *The total amount...*

~~The following paragraphs 9.28(a), 11.9, 12.28(a), 13.17(a), 14.3, 15.17, 15.33, 16.19, 23.22 and 27.5(a) in this FRS address these disclosure requirements within the context of specific transactions.:~~

~~(a) Section 9 *Financial Instruments*: paragraph 9.28~~

~~(b) Section 11 *Investments in Joint Ventures*: paragraph 11.9~~

~~(c) Section 12 *Property, Plant and Equipment and Investment Property*: paragraph 12.28~~

~~(d) Section 13 *Intangible Assets other than Goodwill*: paragraph 13.17~~

~~(e) Section 14 *Business Combinations and Goodwill*: paragraph 14.3~~

~~(f) Section 15 *Leases*: paragraphs 15.17 and 15.33.~~

~~(g) Section 16 *Provisions and Contingencies*: paragraph 16.19~~

~~(h) Section 23 *Employee Benefits*: paragraph 23.22.~~

~~(i) Section 27 *Specialised Activities*: paragraph 27.5.~~

582 Paragraph 6A.3 (now renumbered to 6A.5) is amended as follows:

6A.35 *An indication of...*

~~The following paragraphs 9.28(b), 10.22, 12.28(b), 13.17(b) and 27.5(b) in this FRS address these disclosure requirements within the context of specific transactions.:~~

~~(a) Section 9 *Financial Instruments*: paragraph 9.29.~~

~~(b) Section 10 *Inventories*: paragraph 10.22.~~

~~(c) Section 12 *Property, Plant and Equipment and Investment Property*: paragraph 12.29.~~

~~(d) Section 13 *Intangible Assets other than Goodwill*: paragraph 13.18.~~

~~(e) Section 27 *Specialised Activities*: paragraph 27.6.~~

583 Appendix B to Section 6 is inserted as follows:

Appendix B to Section 6

Company law disclosure requirements for micro-entities in the Republic of Ireland

This appendix is an integral part of Section 6.

This appendix sets out the company law disclosure requirements referred to in paragraph 6.4 for micro-entities in the Republic of Ireland. The drafting is as close as possible to that set out in company law, other than, for example, substituting company law terminology with the equivalent terminology used in this FRS (see Appendix II Table of equivalence for company law terminology). References in this appendix to sections of the Companies Act 2014 are to the sections of that Act as amended by the Companies (Accounting) Act 2017 and references to Schedule 3B are to Schedule 3B to the Companies Act 2014.

When this FRS contains a disclosure requirement related to a company law requirement this has been indicated.

6B.1 These notes shall 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 3B, paragraph 31(2))

Basis of preparation

6B.2 A micro-entity shall ensure that its financial statements include a statement as to whether they have been prepared in accordance with this FRS and for any material departure from this FRS, the effect of the departure and the reasons for it are noted in the financial statements. (Section 291(7) of the Companies Act 2014)

Accounting policies

6B.3 A micro-entity shall disclose in the notes to its financial statements the accounting policies adopted by the micro-entity in determining:

(a) the items and amounts to be included in its statement of financial position; and

(b) the items and amounts to be included in its income statement. (Section 321(1) of the Companies Act 2014)

6B.4 In any case where any goodwill acquired by a micro-entity is shown or included as an asset in the micro-entity's statement of financial position, the period chosen for writing off the consideration for that goodwill and the reasons for choosing that period shall be disclosed in a note to the financial statements. (Schedule 3B, paragraph 25(4))

See paragraph 14.4.

Changes in presentation and accounting policies and correcting prior period errors

6B.5 Where any change is made in the format adopted in preparing a statement of financial position of a micro-entity, the reasons for the change, together with full particulars of the change, shall be given in a note to the financial statements in which the new format is first adopted. (Schedule 3B, paragraph 3(2))

See paragraph 4.5(a).

6B.6 Where a micro-entity changes an accounting policy and has disclosed such change in the notes to the financial statements, the notes to those financial statements shall also disclose:

(a) the reason for the change in accounting policy; and

(b) to the extent practicable, the impact of the change in accounting policy on the financial statements for the current reporting period and on the financial statements of preceding periods. (Section 321(3) of the Companies Act 2014)

See paragraph 8.10A.

6B.7 Where the corresponding amount for the immediately preceding reporting period is not comparable with the amount to be shown for the item in question in respect of the reporting period to which the statement of financial position or income statement relates, the former amount may be adjusted, and particulars of the adjustment and the reasons therefor shall be given in a note to the financial statements. (Schedule 3B, paragraph 5)

This is likely to be relevant when there has either been a change in accounting policy or the correction of a material prior period error. See paragraph 8.10A.

Departure from principles in company law

6B.8 If it appears to the micro-entity that there are special reasons for departing from any of the principles set out in company law in preparing the micro-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 on the statement of financial position and income statement must be given in the notes to the financial statements. (Schedule 3B, paragraph 19)

This is only expected to occur in special circumstances. See paragraph 3.15.

Notes supporting the statement of financial position

6B.9 Where an asset or liability relates to more than one of the items listed in the statement of financial position, its relationship to other items shall be disclosed either under the item where it is shown or in the notes to the financial statements. (Schedule 3B, paragraph 4(4))

See paragraph 4.5(b).

Impairment of assets

6B.10 Value adjustments for impairment of fixed assets (including fixed asset investments) must be disclosed (either separately or in aggregate) in a note to the financial statements if not shown separately in the income statement. (Schedule 3B, paragraphs 23(1) and (2))

6B.11 Any value adjustments for impairment of fixed assets (including fixed asset investments) 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 3B, paragraph 23(3))

See paragraph 22.22.

Indebtedness, guarantees and financial commitments

6B.12 In respect of 'creditors' shown in the micro-entity's statement of financial position there shall be stated:

(a) the aggregate amount of any debts included under that item in respect of which any security has been given; and

(b) an indication of the nature of the securities so given. (Schedule 3B, paragraph 34)

See paragraph 4.5(c).

6B.13 Particulars shall be given of any charge on the assets of the micro-entity to secure the liabilities of any other person, including, where practicable, the amount secured. (Schedule 3B, paragraph 35(1))

6B.14 Particulars and the total amount or estimated total amount shall be given with respect to any other financial commitment, guarantee or contingency not provided for in the statement of financial position. (Schedule 3B, paragraph 35(2))

See paragraphs 9.28(a), 11.9, 12.28(a), 13.17(a), 14.3, 15.17, 15.33, 16.19 and 27.5(a).

The aggregate amount of any such commitments, guarantees or contingencies which are undertaken on behalf of or for the benefit of:

(a) any parent or fellow subsidiary of the micro-entity;

(b) any subsidiary of the micro-entity; or

(c) any undertaking in which the micro-entity has a participating interest,

shall be separately stated and those within each of clauses (a), (b) and (c) shall also be stated separately from those within any other of those clauses. (Schedule 3B, paragraph 35(6))

6B.15 An indication of the nature and form of any valuable security given by the micro-entity in connection with its commitments, guarantees and contingencies not provided for in the statement of financial position must be given. (Schedule 3B, paragraph 35(3))

See paragraphs 9.28(b), 10.22, 12.28(b), 13.17(b) and 27.5(b).

6B.16 The total amount of any commitments not provided for in the statement of financial position concerning retirement benefits shall be disclosed separately. (Schedule 3B, paragraph 35(4))

See paragraph 23.22.

6B.17 Particulars shall be given of retirement benefit commitments which are included in the statement of financial position. (Schedule 3B, paragraph 35(5))

See paragraph 23.23.

Appropriation of profit or loss

6B.18 The income statement, statement of financial position or notes to the financial statements of a micro-entity for a reporting period shall show:

(a) the aggregate amount of dividends paid in the reporting period (other than dividends for which a liability existed at the immediately preceding reporting date);

(b) the aggregate amount of dividends the micro-entity is liable to pay at the reporting date (other than dividends for which a liability existed at the immediately preceding reporting date);

- (c) separately, any transfer between the retained earnings and other reserves;
- (d) any other increase or reduction in the balance on retained earnings since the immediately preceding reporting date;
- (e) the profit or loss brought forward at the beginning of the reporting period; and
- (f) the profit or loss carried forward at the end of the reporting period.
(Schedule 3B, paragraph 33)

See paragraph 17.16 in relation to sub-paragraphs (a) and (b).

Related party disclosures

Transactions with directors (Sections 307 and 308 of the Companies Act 2014)

6B.19 The financial statements of a micro-entity shall disclose, both for the current and the preceding reporting period, in the notes to the financial statements the particulars of the following arrangements (see paragraphs 6B.20 to 6B.23).

Loans, quasi-loans and credit transactions^[*footnote1]^[*footnote2]

6B.20 The particulars required in respect of loans, quasi-loans and credit transactions entered into by the micro-entity with or for persons who at any time during the reporting period, were directors of the company or of its parent or persons connected with such directors, separately for each director or other person, are:

- (a) the name of the person for whom the arrangements were made and where that person is or was connected with a director of the micro-entity or its parent, the name of the director;
- (b) the value of the arrangements at the beginning and end of the reporting period;
- (c) advances made under the arrangements during the reporting period;
- (d) amounts repaid under the arrangements during the reporting period;
- (e) the amounts of any allowance made during the reporting period in respect of any failure or anticipated failure by the borrower to repay the whole or part of the outstanding amount;
- (f) amounts outstanding under the arrangements waived during the reporting period;
- (g) an indication of the interest rate; and
- (h) the arrangements' other main conditions. (Section 307(3) of the Companies Act 2014)

Additionally, a separate total of the amounts stated for the purposes of each of paragraphs (b) to (f) above, and the amounts stated for the purposes of paragraph (b) expressed as a percentage of the net assets of the micro-entity at the beginning and end of the reporting period shall be disclosed. (Section 307(8)(a) and (c) of the Companies Act 2014) These additional requirements are extended to persons who are officers (but not directors) of the micro-entity or its parent, and separate disclosure in respect of these officers is required on an aggregate basis, as well as the number of officers for whom such arrangements were made. (Section 307(9) of the Companies Act 2014)

6B.21 The particulars required in respect of an agreement to enter into loans, quasi-loans or credit transactions by the micro-entity with or for persons who at any time during the reporting period, were directors of the company or directors of its parent or persons connected with such directors, are those of subparagraphs

(a), (g) and (h) of paragraph 6B.20, and additionally the value of the arrangements agreed to. (Section 307(4) of the Companies Act 2014)

All the above disclosures shall be made separately for each director or other person.

Guarantees and security provided by the micro-entity^[*footnote1]^[*footnote2]

6B.22 The particulars required for guarantees entered into and security provided by the micro-entity on behalf of persons who at any time during the reporting period were its directors of the micro-entity or of its parent or persons connected with such directors in connection with a loan, quasi-loan or credit transaction entered into with or for those directors or other persons, separately for each director or other person, are:

(a) the name of the person for whom the arrangements were made and where that person is or was connected with a director of the micro-entity or its parent, the name of the director;

(b) the amount of the maximum liability that may be incurred by the micro-entity;

(c) any amount paid and any liability incurred by the micro-entity for the purpose of fulfilling the guarantee or on foot of the provision of security (including any loss incurred by reason of enforcement of the guarantee or loss of the security); and

(d) the arrangements' main terms. (Section 307(5) of the Companies Act 2014)

Additionally, a separate total of the amounts stated for the purposes of each of paragraphs (b) and (c) above is required. (Section 307(8)(b) of the Companies Act 2014) This requirement is extended to persons who are officers (but not directors) of the micro-entity or its parent and separate disclosure in respect of these officers is required on an aggregate basis, as well as the number of officers for whom such arrangements were made. (Section 307(9) of the Companies Act 2014)

6B.23 The particulars required in respect of agreements by the micro-entity to enter into guarantees or provide security on behalf of persons who at any time during the reporting period were directors of the micro-entity or of its parent or persons connected with such directors in connection with a loan, quasi-loan or credit transaction entered into with or for those directors or other persons, are those of subparagraphs (a), (b) and (d) of paragraph 6B.22. (Section 307(6) of the Companies Act 2014)

The disclosures shall be made separately for each director or other person.

Additional requirements

6B.24 Where at any time during the reporting period the aggregate of the amounts of:

(a) the amount outstanding under arrangements waived comprising loans, quasi-loans and credit transactions; and

(b) the amount of the maximum liability that may be incurred by the micro-entity in respect of arrangements comprising guarantees entered into or security provided in connection with a loan, quasi-loan or credit transaction amount to more than 10 per cent of the net assets of the micro-entity, the aggregate amount shall be stated and the percentage of net assets that the total represents. (Section 307(10) of the Companies Act 2014)

6B.25 A micro-entity that is a parent shall provide the information required by paragraphs 6B.19 to 6B.24 in its financial statements in relation to both the micro-entity and its subsidiaries. (Section 308(4) of the Companies Act 2014)

The micro-entities regime is not available if consolidated financial statements are prepared.

Other related party disclosures

6B.26 Where a micro-entity, or a nominee of the micro-entity or a person acting in that person's own name but on behalf of the micro-entity, holds shares in the micro-entity or an interest in such shares, the notes to the financial statements shall give separately:

- (a) the number and aggregate nominal value of those shares and, where shares of more than one class have been acquired, the number and aggregate nominal value of each class of such shares, at the beginning and end of the reporting period together with the consideration paid for such shares;
- (b) a reconciliation of the number and nominal value of each class of such shares from the beginning of the reporting period to the end of the reporting period showing all changes during the reporting period, including further acquisitions, disposals and cancellations, in each case showing the value of the consideration paid or received, if any;
- (c) the reasons for any acquisitions made during the reporting period;
- (d) the proportion of called-up share capital held at the beginning and end of the reporting period; and
- (e) particulars of any restriction on profits available for distribution by virtue of the application of Section 320. (Section 320 of the Companies Act 2014)

Other

6B.27 Amounts in respect of items representing assets or income may be set off against amounts in respect of items representing liabilities or expenditure or vice versa in accordance with applicable accounting standards, provided that the gross amounts are disclosed in a note to the financial statements. (Schedule 3B, paragraph 7)

See paragraph 2.38.

6B.28 In accordance with Sections 325(1A)(b) and 328 of the Companies Act 2014 a micro-entity that chooses not to prepare a directors' report shall provide the information required by Section 328 of the Companies Act 2014 in respect of acquisitions or disposals of own shares. (Section 325(1A)(b) of the Companies Act 2014)

[*footnote 1] Other arrangements: Similar disclosures must be given where a small entity has been assigned or has assumed any right or obligation or liability which, if it had itself undertaken that right or obligation or liability, would have fallen under these disclosures. (Sections 307(1)(e) and 307(7) of the Companies Act 2014)

[*footnote 2] Exemption: The disclosure requirements in paragraphs 6B.20 to 6B.23 do not apply in relation to an individual director and persons connected with him/her if the aggregate value of all agreements, transactions and arrangements did not, at any time during the reporting period, exceed €7,500 for that director and those persons. Section 308(6) states that references to 'director' are also to be read as references to an 'officer who is not a director' as applicable. (Sections 308(3), 308(5) and 308(6) of the Companies Act 2014).

Section 7

Subsidiaries, Associates, Jointly Controlled Entities and Intermediate Payment Arrangements

584 Paragraph 7.1 is amended as follows:

- 7.1 This section ~~sets out how a micro-entity shall account for~~ applies to investments in **subsidiaries** and **associates**, interests in **jointly controlled entities** and intermediate payment arrangements.

585 In paragraph 7.2, the term 'micro-entity' is now shown in bold type.

586 Paragraph 7.4A is inserted as follows:

- 7.4A It is possible for an entity to be owned by a trust established for the benefit of employees without the entity controlling the trust. An example is when the entity is a co-operative, owned by its employees, and all of the shares are held in a trust for the benefit of the employees but the shares never vest in individual employees with dividends from the company being distributed to employees solely in accordance with the provisions of the trust deed.

Section 8

Accounting Policies, Estimates and Errors

587 Paragraph 8.1 is amended as follows:

- 8.1 This section ~~provides guidance~~ sets out the requirements for:
- (a) selecting and applying the **accounting policies** used in preparing **financial statements**; ~~It also covers~~
 - (b) accounting for **changes in accounting estimates**; and
 - (c) accounting for corrections of **errors** in prior period financial statements.

588 The subheading (underlined) and paragraph 8.10A are inserted as follows:

Disclosures

- 8.10A An Irish micro-entity shall disclose information in relation to changes to accounting policies and corrections of material prior period errors in accordance with Appendix B to Section 6 *Notes to the Financial Statements*.

Section 9

Financial Instruments

589 Paragraph 9.1 is amended as follows:

- 9.1 This section ~~deals with~~ sets out the requirements for the recognition, derecognition, measurement and disclosure of **financial instruments (financial assets and financial liabilities)**.

590 Paragraph 9.2(g) is amended as follows:

- 9.2 (g) **derivatives**, eg options, warrants, futures contracts, forward contracts, and interest rate swaps.

591 In paragraph 9.3(b), the first mention of the term 'derecognition' is now shown in bold type.

592 In paragraph 9.8(b), the term 'derivatives' is no longer shown in bold type.

593 Paragraph 9.28 and the subheading above it are amended as follows:

Disclosures in the notes

- 9.28 A micro-entity shall disclose information in relation to the following items in accordance with the relevant appendix to Section 6 *Notes to the Financial Statements*: determine the amount of any
- (a) financial commitments, guarantees and contingencies not recognised in the statement of financial position arising from its financial instruments and disclose that amount within the total amount of financial commitments, guarantees and contingencies (see paragraph 6A.2); and
 - (b) financial assets given as security in respect of its commitments, guarantees and contingencies.

594 Paragraph 9.29 is deleted as it has been moved to paragraph 9.28(b).

Section 10
Inventories

595 Paragraph 10.1 is deleted as follows:

- 10.1 ~~This section sets out the principles for recognising and measuring inventories. [Deleted]~~

596 In paragraph 10.2, the term 'inventories' is now shown in bold type and paragraph 10.2 is amended as follows:

- 10.2 This section applies to **all inventories**, except:
- (a) ...

597 Paragraph 10.22 and the subheading above it are amended as follows:

Disclosures in the notes

- 10.22 A micro-entity shall disclose information in relation to an indication of the nature and form of any items of inventory given as security in respect of its commitments, guarantees and contingencies in accordance with the relevant appendix to Section 6 *Notes to the Financial Statements*. (see paragraph 6A.3).

Section 11
Investments in Joint Ventures

598 In paragraph 11.1, the terms 'jointly controlled' and 'assets' are no longer shown in bold type and the paragraph is amended as follows:

- 11.1 This section applies to ~~the accounting for~~ investments in **joint ventures** that are jointly controlled operations and jointly controlled assets.

599 Paragraph 11.2 is amended as follows:

- 11.2 A **micro-entity** shall refer to Section 7 *Subsidiaries, Associates, Jointly Controlled Entities and Intermediate Payment Arrangements* which ~~sets out the requirements for~~ applies to investments in joint ventures that are **jointly controlled entities**.

600 Paragraph 11.9 and the subheading above it are amended as follows:

Disclosures in the notes

11.9 A micro-entity shall ~~disclose information in relation to determine the amount of any~~ financial commitments, guarantees and contingencies not recognised in the statement of financial position arising from its jointly controlled operations and jointly controlled assets ~~in accordance with the relevant appendix in Section 6 Notes to the Financial Statements and disclose that amount within the total amount of financial commitments, guarantees and contingencies (see paragraph 6A.2).~~

Section 12

Property, Plant and Equipment and Investment Property

601 Paragraph 12.1 is amended as follows:

12.1 This section applies to ~~the accounting for~~ **property, plant and equipment and investment property**.

602 Paragraph 12.4 is amended as follows:

12.4 ~~Items such as spare parts, stand-by equipment and servicing equipment are recognised in accordance with this section when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory, usually carried as inventory and recognised in profit or loss as consumed. However, major spare parts and stand-by equipment are property, plant and equipment when a micro-entity expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are considered property, plant and equipment.~~

603 Paragraph 12.5 is amended as follows:

12.5 Parts of some items of property, plant and equipment or investment property may require replacement at regular intervals (eg the roof of a building). A micro-entity shall add to the **carrying amount** of an item of property, plant and equipment or investment property the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the micro-entity. The carrying amount of those parts that are replaced is derecognised in accordance with paragraphs 12.26 and 12.27 ~~regardless of whether the replaced parts had been depreciated separately. If it is impracticable for an entity to identify the carrying amount of the replaced part, it may be estimated using the current cost of the replacement part as a proxy for the original cost of the replaced part and adjusting it for depreciation and impairments.~~

604 The subheading (underlined) above paragraph 12.8 is amended as follows:

Initial measurement at initial recognition

12.8 A micro-entity shall ...

605 In paragraph 12.14, the term 'depreciation' is no longer shown in bold type and the subheading (underlined) above the paragraph is amended as follows:

Subsequent measurement after initial recognition

12.14 A micro-entity shall ...

606 Paragraph 12.28 and the subheading above it are amended as follows:

Disclosures in the notes

12.28 A micro-entity shall disclose information in relation to the following items in accordance with the relevant appendix to Section 6 *Notes to the Financial Statements*: ~~determine the amount of any~~

- (a) financial commitments not recognised in the statement of financial position for the acquisition of property, plant and equipment or investment property and ~~disclose that amount within the total amount of financial commitments, guarantees and contingencies (see paragraph 6A.2); and~~
- (b) items of property, plant and equipment or investment property given as security in respect of its commitments, guarantees and contingencies.

607 Paragraph 12.29 is deleted as it has been moved to paragraph 12.28(b).

Section 13

Intangibles other than Goodwill

608 Paragraph 13.1 is amended as follows:

13.1 This section applies to ~~the accounting for all separately acquired~~ **intangible assets** and internally generated intangible assets, ~~other than~~. This section does not apply to intangible assets held by a **micro-entity** for sale in the ordinary course of business (see Section 10 *Inventories* and Section 18 *Revenue*).

609 The subheading (underlined) above paragraph 13.8 is amended as follows:

Subsequent measurement after initial recognition

13.8 A micro-entity shall ...

610 Paragraph 13.17 and the subheading above it are amended as follows:

Disclosures in the notes

13.17 A micro-entity shall disclose information in relation to the following items in accordance with the relevant appendix to Section 6 *Notes to the Financial Statements*: ~~determine the amount of any~~

- (a) financial commitments, guarantees and contingencies not recognised in the statement of financial position for the acquisition of separately acquired intangible assets and ~~disclose that amount within the total amount of financial commitments, guarantees and contingencies (see paragraph 6A.2); and~~
- (b) intangible assets given as security in respect of its commitments, guarantees and contingencies.

611 Paragraph 13.18 is deleted as it has been moved to paragraph 13.17(b).

Section 14

Business Combinations and Goodwill

612 Paragraph 14.1 is amended as follows:

14.1 Where a **micro-entity** effects a **business combination** by acquiring the trade and **assets** of another **business**, it shall apply Section 19 *Business Combinations and Goodwill* of **FRS 102**, except for the following:

...

- (d) a micro-entity shall not recognise and measure a **share-based payment transaction** in accordance with Section 26 *Share-based Payment* of FRS 102, but instead apply Section 21 *Share-based Payment* of this FRS;
- (e) a micro-entity shall not recognise and measure a liability (or asset, if any) related to the acquired business's **employee benefits** arrangements in accordance with Section 28 *Employee Benefits* of FRS 102, but instead apply Section 23 *Employee Benefits* of this FRS; and
- (ef) a micro-entity is not required to provide any of the disclosures.

613 Paragraph 14.3 and the subheading above it are amended as follows:

Disclosures in the notes

- 14.3 A micro-entity shall disclose information in relation to determine the amount of any financial commitments, guarantees and contingencies not recognised in the **statement of financial position** for trade and asset acquisitions in accordance with the relevant appendix to Section 6 *Notes to the Financial Statements*. ~~and disclose that amount within the total amount of financial commitments, guarantees and contingencies (see paragraph 6A.2).~~

614 Paragraph 14.4 is inserted as follows:

- 14.4 An Irish micro-entity shall disclose information in relation to goodwill acquired in accordance with Appendix B to Section 6.

Section 15
Leases

615 Paragraph 15.1 is amended as follows:

- 15.1 This section ~~covers accounting for all~~ applies to **leases other than** except for licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights (see Section 13 *Intangible Assets other than Goodwill*).

616 The subheading (not underlined) above paragraph 15.10 is amended as follows:

Initial recognition and measurement

- 15.10 At the **commencement** ...

617 Paragraph 15.13 is amended as follows:

- 15.13 A lessee shall depreciate an asset leased under a finance lease in accordance with Section 12 *Property, Plant and Equipment and Investment Property* and Section 13 *Intangible Assets other than Goodwill*. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its **useful life**. A lessee shall also assess at each **reporting date** whether an asset leased under a finance lease is impaired (see Section 22 *Impairment of Assets*).

618 Paragraph 15.17 and the subheading above it are amended as follows:

Disclosures in the notes

- 15.17 A micro-entity shall disclose information in relation to determine the amount of any financial commitments, guarantees and contingencies not recognised in the statement of financial position arising from operating leases in accordance with

~~the relevant appendix to Section 6 *Notes to the Financial Statements* and disclose that amount within the total amount of financial commitments, guarantees and contingencies (see paragraph 6A.2).~~

619 Paragraph 15.33 and the subheading above it are amended as follows:

~~Disclosures in the notes~~

15.33 A micro-entity shall ~~disclose information in relation to determine the amount of any~~ financial commitments, guarantees and contingencies not recognised in the statement of financial position arising from a sale and lease back transaction ~~in accordance with the relevant appendix to Section 6 and disclose that amount within the total amount of financial commitments, guarantees and contingencies (see paragraph 6A.2).~~

Section 16

Provisions and Contingencies

620 Paragraph 16.1 is amended as follows:

16.1 This section applies to all **provisions, contingent liabilities and contingent assets** except ~~those for~~ provisions covered by other sections of this FRS. Where those other sections contain no specific requirements to deal with contracts that have become onerous, this section applies to those contracts.

621 Paragraph 16.8(a) is amended as follows:

16.8 (a) When the provision involves a large population of items, the estimate of the amount reflects the weighting of all possible outcomes by their associated probabilities. ~~The provision will therefore be different depending on whether the probability of a loss of a given amount is, for example, 60 per cent or 90 per cent.~~ Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the mid-point of the range is used.

622 Paragraph 16.13 is amended as follows:

16.13 If a micro-entity has an onerous contract, the present obligation under the contract shall be recognised and measured as a provision (see Example 2 of the ~~Appendix to this section~~).

623 Paragraph 16.19 and the subheading above it are amended as follows:

~~Disclosures in the notes~~

16.19 A micro-entity shall ~~disclose information in relation to determine the amount of any~~ financial commitments, guarantees and contingencies not recognised in the statement of financial position ~~in accordance with the relevant appendix to Section 6 *Notes to the Financial Statements* and disclose that amount within the total amount of financial commitments, guarantees and contingencies (see paragraph 6A.2).~~ A micro-entity is not required to disclose the amount of a contingent liability when ~~re~~ the possibility of an outflow of resources is remote.

Section 17

Liabilities and Equity

624 Paragraph 17.1 is amended as follows:

- 17.1 This section ~~establishes principles~~ sets out the requirements for:
- (a) classifying **financial instruments** as either **liabilities** or **equity**; ~~and deals with~~
 - (b) accounting for **compound financial instruments**, such as convertible debt; ~~and. It also addresses~~
 - (c) the issue of equity instruments, distributions to individuals or other parties acting in their capacity as investors in equity instruments (ie in their capacity as **owners**) and the accounting for purchases of own equity.

625 Paragraph 17.2 is amended as follows:

- 17.2 This section ~~shall be applied~~ applies to all types of financial instruments except:
- (a) Investments in **subsidiaries** and **associates** and interests in **jointly controlled entities** ~~that are accounted for in accordance with (see Section 9 *Financial Instruments*7 *Subsidiaries, Associates, Jointly Controlled Entities and Intermediate Payment Arrangements*).~~
 - (b) Employers' rights and obligations under employee benefit plans ~~to which (see Section 23 *Employee Benefits*) applies.~~
 - (c) Financial instruments, contracts and obligations under **share-based payment transactions** ~~to which (see Section 21 *Share-based Payment*) applies,~~ except that paragraph 17.14 shall be applied to **treasury shares** issued, purchased, sold, transferred or cancelled in connection with employee share option plans, employee share purchase plans, and all other share-based payment arrangements.

...

626 Paragraph 17.8 is amended as follows:

- 17.8 A micro-entity shall measure ~~the~~ equity instruments at the fair value of the cash or other resources received or receivable, net of ~~direct costs of issuing the equity instruments~~ **transaction costs**.

627 Paragraphs 17.8A is inserted as follows:

17.8A A micro-entity shall not apply paragraph 17.8 to transactions in which a financial liability is extinguished (partially or in full) by the issue of equity instruments if:

- (a) the creditor is also a direct or indirect shareholder and is acting in its capacity as a direct or indirect existing shareholder;
- (b) the creditor and the entity are controlled by the same party or parties before and after the transaction and the substance of the transaction includes an equity distribution by, or contribution to, the entity; or
- (c) the extinguishment is in accordance with the original terms of the financial liability.

In these circumstances, there is no gain or loss recognised in **profit or loss** as the result of such a transaction.

628 In paragraph 17.9, the term 'transaction costs' is no longer shown in bold type and the paragraph is amended as follows:

17.9 A micro-entity shall account for the transaction costs of an equity transaction as a deduction from equity, ~~net of any related income tax benefit.~~ Income tax related to **transaction costs** shall be accounted for in accordance with Section 24 *Income Tax*.

629 In paragraph 17.14, the term 'profit or loss' is no longer shown in bold type.

630 The subheading (underlined) and paragraph 17.16 are inserted as follows:

Disclosures

17.16 An Irish micro-entity shall disclose information in relation to dividends paid or payable in accordance with Appendix B to Section 6 *Notes to the Financial Statements*.

Section 18

Revenue

631 Paragraph 18.1 is amended as follows:

18.1 This section ~~shall be applied in accounting for~~ applies to **revenue** arising from the following transactions and events:

(a) ...

632 Paragraph 18.2 is amended as follows:

18.2 This section does not apply to ~~r~~Revenue or other income arising from lease agreements ~~is dealt with in~~ (see Section 15 *Leases*).

633 Paragraph 18.15 is amended as follows:

18.15 When the outcome of the transaction involving the rendering of services cannot be estimated reliably, a micro-entity shall recognise revenue only to the extent of the **expenses** recognised that it is probable will be ~~are-recoverable~~.

634 Paragraph 18.16A is inserted as follows:

18.16A Costs that relate directly to a contract and are incurred in securing the contract are also included as part of the contract costs if they can be separately identified and measured reliably and it is probable that the contract will be obtained. When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs if the contract is obtained in a subsequent period.

635 The subheading (underlined) and paragraphs 18A.36 to 18A.39 are inserted as follows:

Determining whether an entity is acting as a principal or as an agent

18A.36 Determining whether a micro-entity is acting as a principal or as an agent requires judgement and consideration of all relevant facts and circumstances.

18A.37 A micro-entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Features that indicate that a micro-entity is acting as principal include:

(a) the micro-entity has the primary responsibility for providing the goods or services to the customer or for fulfilling the order, for example by being

responsible for the acceptability of the products or services ordered or purchased by the customer;

- (b) the micro-entity has inventory risk before or after the customer order, during shipping or on return;
- (c) the micro-entity has latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services; and
- (d) the micro-entity bears the customer's credit risk for the amount receivable from the customer.

18A.38 A micro-entity is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. One feature indicating that a micro-entity is acting as agent is that the amount the micro-entity earns is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed to the customer.

18A.39 When a micro-entity has entered into a contract as an undisclosed agent, it is normally acting as principal.

18A.40 The amounts collected by an agent on behalf of a principal are not revenue. Instead, revenue is the amount of commission.

Section 19

Government Grants

636 Paragraph 19.1 is amended as follows:

19.1 This section ~~specifies the accounting for all~~ applies to **government grants**.

Section 20

Borrowing Costs

637 Paragraph 20.1 is amended as follows:

20.1 This section ~~specifies the accounting for~~ applies to **borrowing costs**. Borrowing costs include:

- (a) ...

Section 21

Share-based Payment

638 Paragraph 21.1 is amended as follows:

21.1 This section ~~specifies the accounting for all~~ applies to **share-based payment transactions** including:

- (a) **equity-settled share-based payment transactions;**
- (b) **cash-settled share-based payment transactions;** and
- (c) transactions in which the **micro-entity** receives or acquires goods or services and the terms of the arrangement provide either the micro-entity or the supplier of those goods or services with a choice of whether the micro-entity settles the transaction in cash (or other **assets**) or by issuing equity instruments.

In the absence of specifically identifiable goods or services, other circumstances may indicate that goods or services have been (or will be) received, in which case this section applies.

639 Paragraph 21.4 is amended as follows:

21.4 If the cash-settled share-based payments granted to employees vest immediately, the employee counterparty is not required to complete a specified period of service before becoming unconditionally entitled to those cash-settled share-based payments. In the absence of evidence to the contrary, the micro-entity shall presume that services rendered by the employee counterparty as consideration for the share-based payments have been received. In this case, on grant date the micro-entity shall recognise the services received in full, with a corresponding liability.

640 Paragraph 21.5 is amended as follows:

21.5 If the cash-settled share-based payments do not vest until the employee counterparty completes a specified period of service, the micro-entity shall presume that the services to be rendered by the employee counterparty as consideration for those cash-settled share-based payments will be received in the future, during the vesting period. The micro-entity shall account for those services as they are rendered by the employee counterparty during the vesting period, with a corresponding increase in the liability.

641 Paragraph 21.10 is amended as follows:

21.10 Except as set out in paragraph 21.11, when the counterparty has a choice of settlement of the transaction in cash (or other assets) or by the transfer of equity instruments, the micro-entity shall account for the transaction as a wholly cash-settled share-based payment transaction in accordance with paragraphs 21.3 to 21.7, unless:

21.11 (a) If 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 whole transaction as set out in paragraph 21.2.

Section 22

Impairment of assets

642 Paragraph 22.1 and the subheading above it are amended as follows:

Objective and Scope of this section

22.1 An **impairment loss** occurs when the **carrying amount** of an **asset** exceeds its **recoverable amount**. This section shall be applied in accounting for applies to the impairment of all **assets** (including **goodwill**), other than the following, for which other sections of this FRS establish impairment requirements except in relation to:

(a) ...

643 In paragraph 22.2, the terms 'carrying amount' and 'recoverable amount' are now shown in bold type.

644 In paragraph 22.3, the term 'impairment loss' is now shown in bold type.

645 Paragraph 22.22 and the subheading above it are inserted as follows:

Disclosures

22.22 An Irish micro-entity shall disclose information in relation to impairment losses recognised and reversed in accordance with Appendix B to Section 6 Notes to the Financial Statements.

Section 23 **Employee Benefits**

646 In paragraph 23.1(d), the term 'micro-entity' is now shown in bold type and paragraph 23.1 is amended as follows:

23.1 ~~Employee benefits~~ are all forms of consideration given by a **micro-entity** in exchange for service rendered by employees, including directors and management. This section applies to all **employee benefits**, except for **share-based payment transactions**, which are covered by (see Section 21 *Share-based Payment*). Employee benefits covered by this section will be one of the following four types include:

(a) ...

647 Paragraph 23.22 and the subheading above it are amended as follows:

Disclosures in the notes

23.22 A micro-entity shall disclose any commitment not recognised in the statement of financial position concerning pensions separately from other financial commitments, guarantees and contingencies in accordance with the relevant appendix to Section 6 Notes to the Financial Statements. ~~(see paragraph 6A.2).~~

648 Paragraph 23.23 is inserted as follows:

23.23 An Irish micro-entity shall disclose particulars of retirement benefit commitments included in the statement of financial position in accordance with Appendix B to Section 6.

Section 24 **Income Tax**

649 Paragraph 24.1 is deleted as follows:

24.1 ~~For the purpose of this FRS, **income tax** includes all domestic and foreign taxes that are based on **taxable profit**.~~ [Deleted]

650 Paragraph 24.2 is amended as follows:

24.2 This section ~~covers accounting for~~ applies to:

(a) **income tax** comprising only of **current tax**; and. It requires a **micro-entity** to recognise the **current tax** consequences of transactions and other events that have been recognised in the **financial statements**. Current tax is tax payable (refundable) in respect of the taxable profit (tax loss) for the current period or past reporting periods.

(b) value added tax (VAT) and other similar sales taxes, which are not income taxes.

This section prohibits the recognition of **deferred tax** which represents the future tax consequences of transactions and events recognised in the **financial statements** of the current and previous periods.

651 Paragraph 24.3 is moved to paragraph 24.2(b) as follows:

~~24.3 This section also covers accounting for value added tax (VAT) and other similar sales taxes, which are not income taxes.~~[Moved to paragraph 24.2(b)]

652 In paragraph 24.4, the terms 'micro-entity' and 'taxable profits' are now shown in bold type.

653 Paragraph 24.4A is inserted as follows:

24.4A A micro-entity shall measure current tax at the tax rate applicable to undistributed profits until the micro-entity recognises a liability to pay a dividend. When the micro-entity recognises a liability to pay a dividend, it shall recognise the resulting current tax liability (asset), and the related **tax expense** (income).

654 Paragraph 24.4B is inserted as follows:

24.4B As an exception, when:

- (a) a micro-entity is wholly-owned by one or more charitable^[*footnote] entities;
- (b) it is probable that a gift aid payment will be made to a member of the same charitable group, or charitable venturer, within nine months of the **reporting date**; and
- (c) that payment will qualify to be set against profits for tax purposes, the income tax effects of that gift aid payment shall be recognised at the reporting date. The income tax effects shall be measured consistently with the tax treatment planned to be used in the entity's income tax filings.

[*footnote] In this context charitable refers to an entity that has been recognised by HMRC as being eligible for certain tax reliefs because of its charitable purposes.

655 In paragraph 24.6, the term 'reporting date' is no longer shown in bold type.

Section 25

Foreign Currency Translation

656 Paragraph 25.1 is amended as follows:

~~25.1 A **micro-entity** may have transactions in foreign currencies. This section prescribes how to include applies to foreign currency transactions in the financial statements of a micro-entity. When a **micro-entity** has a foreign branch, the micro-entity should refer to the requirements of Section 30 *Foreign Currency Translation* of **FRS 102** to determine if the foreign branch has a different functional currency, and if so, should apply the requirements of Section 30 of FRS 102 to those transactions undertaken by the foreign branch.~~

Section 26

Events after the End of the Reporting Period

657 Paragraph 26.1 is amended as follows:

~~26.1 This section defines events after the end of the **reporting period** and sets out principles for recognising and measuring those events applies to the **recognition, measurement** and disclosure of events after the end of the **reporting period**.~~

658 In paragraph 26.2, the term 'financial statements' is now shown in bold type.

659 In paragraphs 26.3 and 26.4, the term 'financial statements' is no longer shown in bold type.

Section 27

Specialised Activities

660 Paragraph 27.1 is amended as follows:

27.1 This section ~~sets out the financial reporting requirements for~~ applies to a **micro-entities** involved in agriculture.

661 Paragraph 27.5 and the subheading above it are amended as follows:

Disclosures in the notes

27.5 A micro-entity shall disclose information in relation to the following items in accordance with the relevant appendix to Section 6 *Notes to the Financial Statements*:~~determine the amount of any~~

(a) financial commitments, guarantees and contingencies not recognised in the statement of financial position for the acquisition of a biological asset~~and disclose that amount within the total amount of financial commitments, guarantees and contingencies (see paragraph 6A.2); and~~

(b) a biological asset or item of agricultural produce given as security in respect of its commitments, guarantees and contingencies.

662 Paragraph 27.6 is deleted as it has been moved to paragraph 27.5(b).

Section 28

Transition to this FRS

663 Paragraph 28.1 is amended as follows:

28.1 This section applies to a **first-time adopter of this FRS**, regardless of its previous ~~accounting~~ financial reporting framework.

664 Paragraph 28.2 is amended as follows:

28.2 Notwithstanding the requirements in paragraphs 28.3 and 28.4, a **micro-entity** that has applied this FRS in a previous **reporting period**, but whose most recent previous annual **financial statements** were prepared in accordance with a different ~~accounting~~ financial reporting framework, must either apply this section or else apply this FRS retrospectively in accordance with Section 8 *Accounting Policies, Changes in Estimates and Errors* as if the micro-entity had never stopped applying this FRS.

665 Paragraph 28.4(b) is amended as follows:

28.4 (b) presented its most recent previous financial statements under previous UK and Republic of Ireland requirements or FRS 102 and that are ~~therefore~~ not consistent with this FRS in all respects.

666 Paragraph 28.9(a) is amended as follows:

28.9 (a) *Derecognition of financial assets and financial liabilities*

Financial assets and **financial liabilities** derecognised under a micro-entity's previous ~~accounting~~ financial reporting framework before the

date of transition shall not be recognised upon adoption of this FRS. Conversely, for financial assets and liabilities that would have been derecognised under this FRS in a transaction that took place before the date of transition, but that were not derecognised under a micro-entity's previous ~~accounting~~ financial reporting framework, a micro-entity may choose:

- (i) ...

667 Paragraph 28.10(c)(i) is amended as follows:

- 28.10 (c) (i) Determine the total cost of the investment property including all of its components. Where no depreciation had been charged under the micro-entity's previous financial reporting framework, this can be calculated by reversing any revaluation gains or losses previously ~~recorded~~ recognised in equity reserves.

668 Paragraph 28.11 is amended as follows:

- 28.11 If it is **impracticable** for a micro-entity to ~~restate the opening statement of financial position at the date of transition for~~ make one or more of the adjustments required by paragraph 28.7 at the date of transition, the micro-entity shall apply paragraphs 28.7 to 28.10 for such adjustments in the earliest period for which it is practicable to do so.

Appendix I: Glossary

669 The leading sentence is amended as follows:

This ~~glossary appendix~~ is an integral part of this FRS.

670 Three sequentially numbered footnotes are inserted (subsequent footnotes are renumbered sequentially) and the glossary is amended as follows (new defined terms are inserted alphabetically):

cash-settled share-based payment transaction	A share-based payment transaction in which the entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of the entity's shares or other equity instruments <u>(including shares and share options)</u> of the entity or another group entity.
contingent liability	A contingent liability is either: (a) ...
financial liability	Any liability that ... (b) a contract that will or may be settled in the entity's own equity instruments and <u>is</u> : (i) <u>a non-derivative for</u> under which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or (ii) <u>a derivative that</u> will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

first-time adopter of this FRS	An entity that presents its first annual financial statements that conform to this FRS, regardless of its previous accounting <u>financial reporting framework</u> .
micro-entity	<p><u>A micro-entity is:</u></p> <p>(a) <u>a</u>A company meeting the definition of a micro-entity as set out in section 384A of the Act^[*footnote], and not prevented from applying the micro-entity provisions by section 384B of the Act;</p> <p>(b) an LLP which qualifies as a micro-entity and is not prevented from applying the micro-entity provisions in accordance with Regulation 5A of the <i>Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008</i> (SI 2008/1911); or</p> <p>(c) a qualifying partnership that would meet the definition of a micro-entity as set out in section 384A of the Act, and not be prevented from applying the micro-entity provisions by section 384B of the Act, if the partnership were a company.</p> <p>[*footnote] <u>Irish micro-entities (including partnerships that are required to comply with Part 6 of the Companies Act 2014, by virtue of the European Communities (Accounts) Regulations 1993) shall refer to section 280D of the Companies Act 2014.</u></p>
micro-entity minimum accounting items	The items of information required under the micro-entities regime to be contained in the financial statements of a micro-entity . These are set out in <u>Section 3 Financial Statement Presentation</u> , <u>Sections 4 Statement of Financial Position</u> , <u>Section 5 Income Statement</u> and <u>Section 6 Notes to the Financial Statements</u> of this FRS.
micro-entity provisions	<p>(a) Any provisions of Part 15, Part 16 or regulations made under Part 15 of the Act^[*footnote]; or</p> <p>(b) any provisions of the Small LLPs Regulations,</p> <p>relating specifically to the individual accounts of an entity which qualifies as a micro-entity.</p> <p>[*footnote] <u>Irish micro-entities shall refer to the relevant provisions of Part 6 of, and Schedule 3B to, the Companies Act 2014.</u></p>
micro-entities regime	<p>The legal requirements and exemptions relating to the preparation of the financial statements of micro-entities as set out in the Act^[*footnote], the Small Companies Regulations and the Small LLP Regulations.</p> <p>[*footnote] <u>Irish micro-entities shall refer to the Companies Act 2014.</u></p>
notes (to the financial statements prepared under this FRS)	Notes contain information in addition to that presented in the statement of financial position and income statement . Notes are required to be presented at the foot of the statement of financial position <u>for micro-entities in the UK</u> .

<p><u>share-based payment arrangement</u></p>	<p>An agreement between the entity (or another group entity or any shareholder of any group entity) and another party (including an employee) that entitles the other party to receive:</p> <p>(a) <u>cash or other assets</u> of the entity for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity; or</p> <p>(b) <u>equity instruments (including shares or share options) of the entity or another group entity,</u></p> <p>provided the specified vesting conditions, if any, are met.</p>
<p><u>share-based payment transaction</u></p>	<p>A transaction in which the entity:</p> <p>(a) receives goods or services from the supplier of those goods or services (including an employee services) as consideration for its own equity instruments (including shares or share options) in a share-based payment arrangement; or</p> <p>(b) receives goods or services but has no obligation to settle the transaction with supplier; or</p> <p>(c) acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price (or value) of the entity's shares or other equity instruments of the entity or another group entity. incurs an obligation to settle the transaction with the supplier in a share-based payment arrangement when another group entity receives those goods or services.</p>

Appendix II: Table of equivalence for UK Companies Act Terminology

671 The title of this appendix is amended as follows:

Appendix II: Table of equivalence for UK Companies Act company law terminology

672 The following amendments are made to the table:

Company law terminology	FRS 105 terminology
<u>Expenses</u>	<u>Charges</u>
<u>Financial year end date</u>	<u>Reporting date</u>
<u>Holding undertaking</u>	<u>Parent</u>
<u>Subsidiary undertaking</u>	<u>Subsidiary</u>

Appendix IV: Republic of Ireland (RoI) legal references

673 This appendix is deleted and replaced with the following:

- A4.1 Legislation giving effect to the option of preparing financial statements under the micro-entities regime has been enacted in Ireland, and FRS 105 is available for application in line with the effective date of the relevant legislation. This appendix is being updated to include Republic of Ireland legal references and will be included in the next edition of this FRS.

Approval by the FRC

Amendments to FRS 102 – Triennial review 2017 – Incremental improvements and clarifications was approved for issue by the Financial Reporting Council on 6 December 2017.

Basis for Conclusions

Amendments to FRS 102 – Triennial review 2017 – Incremental improvements and clarifications

This Basis for Conclusions accompanies, but is not part of, this amendment to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and summarises the main issues considered by the Financial Reporting Council (FRC) in developing these amendments.

This Basis for Conclusions will be incorporated into the Basis for Conclusions accompanying the next edition of FRS 102.

Feedback from a number of exposure drafts and consultations has been considered in the development of these amendments (see Table 1 at the end of this Basis for Conclusions). Unless otherwise stated, respondents to the consultations supported the proposals made; detailed feedback statements for these consultations are available on the FRC website.

Objective

- 1 In developing financial reporting standards, the overriding objective of the FRC 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.
- 2 In achieving this objective, the FRC aims to provide succinct financial reporting standards that:
 - (a) have consistency with global accounting standards through the application of an IFRS-based solution unless an alternative clearly better meets the overriding objective;
 - (b) balance improvement, through reflecting up-to-date thinking and developments in the way businesses operate and the transactions they undertake, with stability;
 - (c) balance consistent principles for accounting by all UK and Republic of Ireland entities with proportionate and practical solutions, based on size, complexity, public interest and users' information needs;
 - (d) promote efficiency within groups; and
 - (e) are cost-effective to apply.

Background

Reasons for issuing FRS 102 and intended benefits

- 3 UK and Ireland accounting standards were updated with effect from 1 January 2015 in order to address a number of concerns with the previous standards including:
 - (a) the lack of a consistent framework;
 - (b) certain transactions relevant to an understanding of the financial position of an entity were unrecognised; and
 - (c) they had not kept pace with evolving business transactions and in some areas were out of date.

- 4 The FRC believed that FRS 102, and the rest of the suite of new accounting standards, addressed these concerns, a view which was supported by stakeholders during the development of FRS 102.
- 5 In addition to addressing these concerns, the benefits of the new standards were intended to include:
 - (a) more cost-effective reporting for listed groups through the introduction of FRS 101 *Reduced Disclosure Framework*;
 - (b) more succinct accounting standards with proportional requirements for entities within their scope; and
 - (c) relevant, useful information for informed users of financial statements, including improving the reporting of financial instruments.

Triennial review 2017

- 6 When FRS 102 was issued in March 2013, the FRC indicated that it would be reviewed every three years. This triennial review process is an opportunity to review the implementation of FRS 102 and whether it has achieved its aims, as well as to make improvements. The triennial review has involved considering a wide range of potential sources of improvements and clarifications including:
 - (a) feedback from stakeholders on areas where FRS 102 can be improved;
 - (b) areas identified by the FRC for review;
 - (c) the IASB's *2015 Amendments to the IFRS for SMEs*; and
 - (d) changes in IFRS (both new IFRS and amendments to existing IFRS) and new interpretations (IFRICs).
- 7 Amongst other sources, the FRC has received and considered feedback from stakeholders through a request for information, a consultation document on our approach to changes in IFRS and exposure drafts setting out our proposed amendments to FRS 102 (see Table 1 at the end of this Basis for Conclusions).
- 8 FRS 102 is an IFRS-based solution that was developed from the IFRS for SMEs. Therefore amendments to the IFRS for SMEs remain a useful source for considering the development and maintenance of FRS 102. However, the scope of FRS 102 is wider than the scope of the IFRS for SMEs and the FRC takes into account the size and range of entities applying FRS 102 when considering potential amendments. This means changes in IFRS are also relevant to FRS 102 and the FRC seeks an overall IFRS-based solution, when relevant, rather than simply maintaining consistency with the IFRS for SMEs.

Have the new standards delivered benefits?

- 9 In their feedback, a number of stakeholders highlighted some of the benefits of FRS 102. These include simpler financial statements, time-savings in preparation, greater consistency with IFRS, increased transparency and an easily readable standard¹. Stakeholders also identified areas for possible further improvement that have been considered as part of this triennial review.
- 10 The FRC continues to believe that the new UK and Ireland accounting standards have addressed the concerns that led to their development by providing a consistent IFRS-based framework, for example by improving recognition and disclosure of

¹ See also University of Worcester Business School research on behalf of the Institute of Financial Accountants, Final Report (December 2016).

financial instruments. Although the triennial review is primarily about FRS 102, the FRC has considered whether the suite of UK and Ireland accounting standards, as a whole, has delivered benefits.

- 11 FRS 101 is an optional standard (entities applying it could alternatively have applied FRS 102 or EU-adopted IFRS). Feedback to the annual reviews of FRS 101 suggests that this standard is being applied in practice, suggesting this is a cost-effective option for some entities. FRS 101 will continue to be subject to an annual review to provide additional disclosure exemptions as IFRS evolves and to respond to stakeholder feedback about other possible improvements. For example, FRS 101 has recently been made more cost-effective by the removal of the requirement to notify shareholders prior to taking advantage of the disclosure exemptions.
- 12 FRS 102 is considerably shorter than the accounting standards that preceded it, a benefit that was highlighted by stakeholders. The succinct nature of FRS 102 has been retained.
- 13 The requirements of FRS 102 have resulted in more information being available to users about the financial instruments held by a reporting entity, and therefore should have improved users' understanding of the instruments and the associated risks. Stakeholder feedback suggested that this has been one of the most challenging aspects of implementing FRS 102. As part of this triennial review a number of amendments were made to respond to stakeholder feedback in this area.
- 14 FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime* has only been effective since 1 January 2016, and it is too early to assess the full impact of the new legal regime and associated accounting standard.

Incremental improvements and clarifications

- 15 Respondents supported the idea that the triennial review should focus on incremental improvements and clarifications. Although these amendments will be effective from 1 January 2019 (four years after the initial effective date of FRS 102 and three years after small entities were brought within its scope), at present many entities have prepared no more than one or two sets of financial statements applying FRS 102 and respondents supported and emphasised the importance of allowing FRS 102 to bed down and become more familiar before more fundamental changes are proposed.
- 16 The amendments to FRS 102 are intended to improve the quality of financial reporting, the usability of the standard and/or the cost-effectiveness of the standard.

Future reviews of FRS 102

- 17 Any amendments to FRS 102 to reflect major changes in IFRS will be considered on a case-by-case basis, including the appropriate timing. The FRC agrees with respondents that, in most cases, it will be preferable to learn from IFRS implementation experience in determining whether, and if so how and when, FRS 102 should be amended.
- 18 In addition, FRS 102 will continue to be subject to periodic reviews to consider stakeholder feedback, minor changes in IFRS and the IFRS for SMEs and other issues. These periodic reviews are likely to take place every four to five years, to allow time for experience of the most recent edition of FRS 102 to develop before seeking stakeholder feedback. However, the FRC will continue to assess emerging issues as they arise to determine whether action needs to be taken. When necessary this will include issuing amendments to standards outside regular review cycles.

Removal of undue cost or effort exemptions

- 19 Prior to this triennial review, FRS 102 included a limited number of undue cost or effort exemptions. These stemmed from the IFRS for SMEs, although some undue cost or effort exemptions in the IFRS for SMEs were not reflected in FRS 102. Some stakeholders welcomed the concept of 'undue cost or effort', which they considered provided a proportionate solution for smaller entities. However, it was noted that entities needed to apply judgement in determining whether an exemption is available in their circumstances, which has led to the exemptions being applied inconsistently in similar circumstances and therefore different costs being incurred in the preparation of financial statements. It was noted that not all entities were applying sufficient rigour in assessing the availability of the undue cost or effort exemptions; it is not an accounting policy choice.
- 20 Although the International Accounting Standards Board (IASB) introduced guidance on the meaning of undue cost or effort as part of the *2015 Amendments to the IFRS for SMEs*, in response to the issues identified above, the undue cost or effort exemptions that existed in FRS 102 have been removed. These are discussed in more detail below.

Investments in associates and joint ventures

- 21 The exemptions in relation to investments in associates and joint ventures only applied in situations where the reporting entity had chosen to measure these items at fair value in its individual financial statements and it had subsequently become impracticable to do so. Reporting entities already had the choice to use the cost model in both of these situations, therefore these two exemptions served no practical purpose and were removed. No amendments were made to the accounting policy choice to measure investments in associates and joint ventures using the cost model or fair value.

Investment properties including those rented to another group entity

- 22 Prior to these amendments, FRS 102 required only investment property that could be measured at fair value without undue cost or effort, to be measured at fair value; any that could not were accounted for as property, plant and equipment using the cost model in Section 17 *Property, Plant and Equipment*. In the UK, entities should generally be able to obtain a fair value for an investment property, without undue cost or effort, which would provide useful, decision-relevant information to users of the financial statements. Therefore the undue cost or effort exemption in relation to investment property was removed.
- 23 However, a significant amount of feedback from stakeholders suggested that the cost of obtaining a fair value for an investment property that is rented to another group entity far outweighs the benefit, as the information is of little use when the investment property would be treated as property, plant and equipment in the consolidated financial statements.
- 24 To address this significant implementation issue, an accounting policy choice was introduced for entities that rent investment property to another group entity, whereby they can choose to measure that investment property either at cost (less depreciation and impairment) or at fair value.
- 25 A small number of respondents were concerned about the impact of the change on the small number of properties for which a reliable measure of fair value is not available. The FRC notes that prior to the introduction of FRS 102 such properties were required to be measured at open market value and that the Appendix to Section 2 *Concepts and Pervasive Principles* provides guidance on situations when a reliable measure of fair value is not available.

New undue cost or effort exemptions introduced in the IFRS for SMEs

- 26 The IASB introduced four new undue cost or effort exemptions in the *2015 Amendments to the IFRS for SMEs* as follows:
- (a) Investments in equity instruments at fair value (Section 11 *Basic Financial Instruments*).
 - (b) Intangible assets acquired in a business combination (Section 18 *Intangible assets other than Goodwill*).
 - (c) Fair value of non-cash consideration (Section 22 *Liabilities and Equity*).
 - (d) Offsetting tax assets and liabilities (Section 29 *Income Tax*).
- 27 Consistent with the removal of all undue cost or effort exemptions that are currently in FRS 102, these new exemptions have not been introduced into FRS 102. However, stakeholders had provided feedback on implementation issues relating to intangible assets acquired in a business combination and amendments were made to address that feedback (see paragraphs 63 to 71).

Fair value measurement guidance

- 28 Prior to these amendments, FRS 102 contained guidance on fair value measurement in paragraphs 11.27 to 11.32. These paragraphs were cross-referenced from a number of sections of FRS 102 when fair value measurement was permitted or required.
- 29 As these paragraphs are of general application, rather than relevant only to financial instruments, and illustrate a measurement basis described in Section 2 *Concepts and Pervasive Principles* they have been moved to a new appendix to Section 2. This does not change the scope and application of the guidance, although some improvements have been made to the guidance (see paragraph 33).
- 30 The Consultation Document suggested that key definitions in FRS 102 relating to fair value and paragraph 11.27 (now paragraph A2.1), which sets out the process for estimating fair values, may be amended for greater consistency with IFRS 13 *Fair Value Measurement*.
- 31 Respondents' feedback highlighted that incorporating the IFRS 13 definition of fair value may lead to unintended consequences. That definition, anchored as it is in the market approach, may lead to changes that would be particularly significant for certain entities that have only recently implemented the FRS 102 fair value requirements.
- 32 Stakeholders have previously provided feedback that although the fair value measurement guidance hierarchy in FRS 102 is not identical to the disclosure hierarchy for financial institutions and retirement benefit plans, a change to paragraph 11.27 is not essential as it simply provides a methodology for approaching fair value measurement.
- 33 As a result, the definition of fair value was not amended, and only minor changes were made to paragraph 11.27, for example to emphasise that it is a methodology and give further practical guidance.

Classification of expenditure

- 34 Paragraph 5.11 has been deleted because it effectively duplicated the requirements of paragraph 5.5, since the profit and loss account formats in the Regulations include requirements for the classification of expenditure. This change is not expected to significantly change the information presented in financial statements.

Statement of cash flows – net debt reconciliation

- 35 In January 2016, the IASB issued amendments to the requirements for cash flow statements in *Disclosure Initiative (Amendments to IAS 7)*. The amendments introduced requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
- 36 In considering whether to introduce these additional disclosures into FRS 102, it was noted that the previous requirement to disclose a reconciliation of net debt in paragraph 33 of FRS 1 (Revised 1996) *Cash Flow Statements* gives users better information as it takes into account cash balances as well as the borrowings of an entity. Although this is a departure from an IFRS-based solution, it clearly better meets the overriding objective and entities will already be familiar with the disclosure and therefore it will be more cost-effective to apply. As a result, FRS 102 was amended to include a requirement to produce a net debt reconciliation.

Consolidated financial statements

- 37 The Consultation Document proposed making limited amendments to FRS 102 to update it for the control model in IFRS 10 *Consolidated Financial Statements*. It noted that the change would result in better financial reporting as it addresses concerns about the boundary of the reporting entity, but that for many entities, the changes would have no effect and that this could be determined quickly and cost-effectively, limiting the costs of implementation.
- 38 Respondents disagreed with this proposal. Feedback received included the following:
- (a) The cost of implementation would far outweigh the benefit given that there would be no practical effect for the vast majority of entities, yet all entities would still have to go through an exercise to determine that there is no change.
 - (b) The proposal did not meet with the new principle of balancing improvements with stability.
 - (c) A significant amount of additional implementation guidance would need to be added to FRS 102 to ensure the revised definition could be applied in practice.
 - (d) The main impact of implementing IFRS 10 has been felt in financial institutions that have complex structured entities.
- 39 Consequently no changes have been made to FRS 102 regarding the entities to be included in consolidated financial statements, but an additional disclosure regarding unconsolidated structured entities (such as special purpose entities) was introduced to improve the information available to users about any such entities. This principle-based disclosure was derived from IFRS 12 *Disclosure of Interests in Other Entities*.

Financial instruments

Accounting policy choice to apply IAS 39 Financial Instruments

- 40 The Consultation Document asked for feedback on the proposal to retain the accounting policy choice in Section 11 and Section 12 *Other Financial Instruments Issues* of FRS 102 to apply the recognition and measurement requirements of IAS 39 *Financial Instruments: Recognition and Measurement* following the mandatory effective date of IFRS 9 *Financial Instruments*. FRS 102 was amended to retain that option, and it is available until the FRS 102 requirements for the impairment of financial assets have been amended to reflect IFRS 9, or it is otherwise decided not to amend FRS 102 further in relation to IFRS 9. The IAS 39 EU carve-out also continues to be available.

Investments in shares

- 41 Prior to these amendments, FRS 102 required investments in non-convertible preference shares and non-puttable ordinary shares or preference shares to be measured at fair value (unless they cannot be measured reliably). This requirement was based on the legal form of the instruments and created an anomaly whereby certain preference shares that are liabilities of the issuer (and measured at amortised cost) were treated differently by the holder.
- 42 The reference to such investments in shares has been amended to non-derivative instruments that are equity of the issuer. This simplified the drafting, but also improved the accounting for those instruments that are liabilities of the issuer by requiring measurement at amortised cost (if the instrument is classified as 'basic').

Conditions for the classification of financial instruments

- 43 Prior to these amendments, paragraph 11.8 included a list of financial instruments that were classified as 'basic'. For some of these financial instruments, the classification as 'basic' or 'other' was further dependent on meeting a list of prescriptive conditions; for debt instruments these were set out in paragraph 11.9. Feedback from stakeholders clearly highlighted that this rules-based classification caused significant problems for those applying FRS 102, highlighting a number of judgement areas and other implementation difficulties.
- 44 As a result, in addition to those debt instruments that meet the conditions in paragraph 11.9, a debt instrument shall be classified as 'basic' if it is consistent with a principle-based description of a 'basic' financial instrument. This description, set out in paragraph 11.9A, need only be considered for debt instruments that do not meet the detailed conditions in paragraph 11.9. Making such a change better articulated the principle for classification as 'basic' financial instruments and set the boundary for more complex debt instruments.
- 45 The description requires a 'basic' debt instrument to give rise to cash flows on specified dates that constitute reasonable compensation for the time value of money, credit risk and other basic lending risks and costs. Such reasonable compensation is dependent on the prevailing economic conditions and monetary policies in operation.
- 46 In addition, amendments were made to the examples following paragraph 11.9A, including the addition of new examples to address feedback from stakeholders.

Loans with two-way compensation clauses

- 47 In June 2016 the FRC commented on issues arising in relation to accounting for social housing loans. This related to the classification of loans with two-way compensation clauses, and the FRC noted that the conditions set out in paragraph 11.9 would be reviewed as part of the triennial review.
- 48 As noted above, the conditions for the classification of a financial instrument as basic were reviewed, and a number of amendments made, notably the inclusion of paragraph 11.9A. In addition, the IASB has completed its project *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*, which considered a similar issue, and the FRC has now been able to consider its solution.
- 49 Respondents considered that the proposed amendments did not adequately address the issue, which could be resolved by a simple amendment to paragraph 11.9(c) noting that compensation could be paid by either the holder or the issuer. This amendment was made.

Directors' loans

- 50 Many stakeholders provided feedback on the accounting for directors' loans. Prior to these amendments, FRS 102 required all financing transactions (except public benefit entity concessionary loans) to be measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. This included directors' loans (ie loans from a director to a company in which he/she is also a shareholder) that are non-interest bearing, or bear interest at a non-market rate. The FRC continues to believe that this is generally appropriate accounting which reflects the fact that such transactions contain both an interest-bearing loan and the transfer of value representing the saving compared to market rates of interest.
- 51 However, concerns were raised about some of the practicalities of the accounting requirements, in particular that such loans are often made by directors, especially those of small companies, because commercial funding is unavailable and therefore it is difficult to determine an appropriate market rate for a similar debt instrument.
- 52 These concerns, including comments about the nature of the transaction in the context of a small entity where the same individual is employee, director, shareholder and lender were considered. It was also noted that FRS 102 did include an exemption from the financing transaction requirements for public benefit entity concessionary loans, which had been provided on the basis of difficulties in measuring such loans at fair value and the information that users might find useful.
- 53 Generally, all entities within the scope of FRS 102 should be subject to consistent recognition and measurement requirements, although occasional specific exemptions may be granted in order to meet the principle of providing proportionate and practical solutions.
- 54 The FRC considered possible solutions to the issues raised and, for small entities, proposed a more proportionate accounting solution for a loan from a director who is a natural person and a shareholder in the small entity (or a close member of the family of that person), which would permit the loan to be initially measured at transaction price. Initial reactions to the proposal were favourable and, with small entities mandatorily coming within the scope of FRS 102 from 1 January 2016, stakeholders requested earlier application in order to prevent small entities making adjustments to directors' loans for one year only for this to be reversed when the amendments to FRS 102 were finalised. As a result, in May 2017 the FRC made an interim amendment to FRS 102 to allow immediate relief for small entities pending a permanent solution. This was included in paragraph 1.15A, which has now been deleted.
- 55 Respondents agreed with the proposals, but a number of respondents suggested that the exemption should apply to additional transactions, such as intra-group transactions and loans from all directors or all shareholders. The FRC considered these suggestions and the reasons for the exemption. The exemption is intended to provide relief to small owner-managed businesses. Transactions between entities within a group are subject to other considerations, including the nature of transactions between the entities and when a distribution or investment has occurred. Therefore the exemption has not been extended to transactions between group entities.
- 56 The FRC considered how to define 'owner-managed' for the purposes of this exemption. Some small businesses are operated and financed by a group of family members, who may have varying interests in the business. This had been recognised in the proposal by permitting loans from a close family member of a director-shareholder to qualify for the exemption. However, this did not necessarily include all situations where relief was intended. Therefore relief is now available for loans to small entities from a directors' group of close family members (which includes the director), when that group also includes a

shareholder in the entity. As a result, a loan from a director, who is not a shareholder and has no close family members that are shareholders, will not qualify for the relief.

- 57 Relief has also been extended, on a similar basis, to small LLPs.
- 58 Loans from directors, or shareholders with a participating interest, to a small entity that are non-interest bearing, or bear interest at a non-market rate, fall within the disclosure requirements of paragraphs 1AC.35 or 1AD.51. Small entities are encouraged to consider whether disclosure about such loans from other parties is necessary for the purposes of giving a true and fair view.

Fair value hedging for a portfolio of financial instruments

- 59 Fair value hedge accounting for a portfolio of financial instruments (sometimes called macro hedging) was not previously available in FRS 102, and entities wishing to apply it took the accounting policy choice in paragraph 11.2 (and paragraph 12.2) to apply the recognition and measurement provisions of IAS 39 or IFRS 9.
- 60 General feedback from certain UK entities was that they liked the succinct nature of FRS 102 but chose to apply the recognition and measurement provisions of IAS 39 solely in order to have access to macro hedging.
- 61 Given the lack of progress on the IASB's macro hedging project, it is expected that the IASB will retain the macro hedging requirements of IAS 39 for the foreseeable future. The IFRS 9 section on hedge accounting also cross-refers to the relevant IAS 39 paragraphs and the associated guidance on macro hedging. Therefore in order to address this 'gap' in FRS 102, the macro hedging requirements have been incorporated into FRS 102 by cross-reference to the IAS 39 requirements, rather than by importing them directly into FRS 102. This will enable entities to apply macro hedging with the recognition and measurement requirements of Sections 11 and 12 of FRS 102.

Other minor financial instruments issues

- 62 There were a number of other minor changes made to Sections 11 and 12 arising from comments received from stakeholders including a more direct reference to 'derivatives' in the relevant paragraphs. Previously, these sections avoided the word creating ambiguity for stakeholders. Given that it is already defined in FRS 102, this change improved the drafting. One consequence of this is a change to the definition of a financial liability, but this is not expected to have any practical effects.

Intangible assets acquired in a business combination

- 63 Stakeholders provided feedback on the practical issues arising from applying paragraph 18.8 of FRS 102 in recognising and measuring intangible assets acquired in a business combination; in particular, the meaning and purpose of the phrase 'immeasurable variables'. This included difficulties that arose from the use of language that was similar to IFRS 3 *Business Combinations*, which notes that intangible assets acquired in a business combination can always be measured reliably.
- 64 Various options for improving FRS 102 were considered, including:
- (a) allowing an undue cost or effort exemption as per the revised IFRS for SMEs;
 - (b) moving towards an IFRS 3 approach whereby all intangible assets are recognised separately from goodwill; or
 - (c) reverting back to an approach similar to FRS 10 *Goodwill and Intangible Assets* whereby some but not all intangibles are recognised separately.

- 65 Research indicated that some investors saw a distinction between those intangible assets that are ‘wasting’ (ie those that are separable from the entity, have finite useful lives and lead to identifiable future revenue streams) and those that are ‘organically replaced’ (ie those that are unlikely to be separable, to have reliably determined useful lives or to be a source of future economic benefits that could be distinguished from the business as a whole). Some investors argued that those intangibles that are ‘wasting’ assets should be recognised separately from goodwill, whereas those that are ‘organically replaced’ should be subsumed into goodwill.
- 66 It was also noted that FRS 102 requires goodwill to be amortised over its useful life, which is consistent with the accounting treatment of intangible assets. Therefore, the impetus to separate intangible assets from goodwill is less than it may be under IFRS, where goodwill is not amortised.
- 67 Amendments to FRS 102 were made so that entities are required to recognise some but not all intangible assets acquired in a business combination separately from goodwill. This was achieved by requiring entities to recognise intangible assets separately if they:
- (a) meet the recognition criteria; and
 - (b) are separable and arise from contractual or other legal rights.
- 68 This should not give rise to particular measurement difficulties in practice.
- 69 In addition, an entity may choose to recognise other intangible assets acquired in a business combination that meet the recognition criteria and are either separable or arise from contractual or other legal rights separately. This is a proportionate solution that permits the separate recognition of a larger number of intangible assets when this information provides useful information to the reporting entity and the users of its financial statements. This choice, when exercised, must be applied consistently to the relevant class of intangible assets. This will result in comparability over time in the entity’s financial statements. In addition, a new disclosure was introduced that requires disclosure of the nature of the additional intangible assets separated from goodwill and the reason why, which will assist users in drawing comparisons between different entities.
- 70 Some respondents expressed reservations about the extent of choice available to entities and the potential for inconsistency between different entities. Nevertheless, the option will enable more information to be provided to users in some circumstances and additional disclosure will assist in drawing comparisons. Therefore, the FRC believes these amendments will lead to proportionate reporting.
- 71 Some respondents requested further guidance on which intangible assets are expected to meet the criteria for separate recognition in a business combination. The FRC considers that examples of intangible assets that would normally satisfy all three criteria include licences, copyrights, trademarks, internet domain names, patented technology and legally protected trade secrets, and examples of intangible assets that would not normally satisfy all three criteria include customer lists, customer relationships and unprotected trade secrets (such as secret recipes or formulas) as no contractual or legal right exists that would give rise to expected future economic benefits.

Leases

- 72 In the Consultation Document it was proposed that lease disclosures in FRS 102 were enhanced, in advance of any revised requirements based on IFRS 16 *Leases*. The aim was to improve the information available to users.
- 73 Respondents did not support this approach. It would be difficult for entities to provide more information about obligations arising from operating leases without first determining a

detailed approach to updating FRS 102 for IFRS 16, and IFRS 16 itself does not require enhanced disclosure in the run up to implementation. Therefore, having considered this further, FRS 102 was not amended in this respect.

Liabilities and equity

Debt for equity swaps

- 74 Prior to these amendments, FRS 102 was silent on the accounting for debt for equity swaps. Although it required equity instruments to be initially recognised at fair value, resulting in equivalent accounting to that required by IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*, it contained no scope exemptions for transactions that would not be within the scope of IFRIC 19 (such as common control transactions) or the conversion of convertible debt.
- 75 Feedback from stakeholders suggested that this was an area that would benefit from more explicit guidance as, when they occur, such transactions can be significant. FRS 102 was amended with the insertion of paragraph 22.8A.

Option to purchase own equity instruments

- 76 It was proposed that a new example be inserted in Section 22 relating to a written option to purchase own equity instruments. Some respondents raised concerns about the possibility of unintended consequences, and after considering those comments the example has not been included in FRS 102. The FRC may review this issue again in the future.

Revenue

Transactions including separately identifiable goods and services

- 77 Amendments to FRS 102 were proposed to provide greater clarity to the requirements for the recognition of revenue from separately identifiable goods and services provided under a single transaction. Respondents did not support this approach noting that Section 23 *Revenue* was not causing any notable implementation issues to date and the section should be considered in more detail when the incorporation of IFRS 15 *Revenue from Contracts with Customers* is considered. Consequently, FRS 102 was not amended in this respect.

Agent and principal

- 78 Further guidance on how to determine whether an entity is acting as an agent or a principal was inserted into Section 23 following feedback that the standard was not sufficiently clear. The additional guidance is based on the guidance included in IAS 18 *Revenue*.

Share-based payment transactions

- 79 The Consultation Document asked for feedback regarding the cost-effectiveness of applying Section 26 *Share-based Payment* by private companies.
- 80 Feedback from respondents was mixed. Some noted that the requirements had been in place for some 10 years, were well embedded and reflected a cost to the company, and therefore no changes should be made. Some noted sympathy with the difficulties faced by small private companies in obtaining a reliable and meaningful fair value measurement for share-based payment arrangements. Some suggested that a disclosure-only approach for

small entities could be considered in the future should the legislative landscape change. Currently it would not be possible to do this as additional disclosures cannot be mandated of small entities under the EU Accounting Directive.

- 81 Consequently, no wholesale changes were made to Section 26 but minor improvements were made to align some of the definitions used in the section with IFRS 2 *Share-based Payment*. However, it was noted that the issue should be revisited in the future if company law changes such that disclosures could be mandated for small companies.

Gift aid

- 82 The FRC was made aware of significant differences in accounting treatment arising in practice in relation to the accounting for payments made, or expected to be made, by a subsidiary to its charitable parent that will qualify for gift aid (expected gift aid payments). This includes charitable parents that are exempt charities, eg they are not regulated by the Charity Commission, but have another principal regulator.
- 83 Many charitable entities, including registered providers of social housing and higher education institutions, carry out trading activities through a non-charitable subsidiary. Profits from the non-charitable subsidiary might be distributed to the parent charity (or venturer in a joint venture) in a tax-efficient manner as a donation which is eligible for corporation tax relief under the gift aid rules, provided it is made during the relevant reporting period or during the following nine months.

Distribution to owners

- 84 Although such payments are donations for tax purposes, they are a distribution from the entity to its owners for company law purposes (see ICAEW Technical release TECH 16/14BL REVISED *Guidance on donations by a company to its parent charity*).
- 85 As a result, FRS 102 requires the gift aid payment to be accounted for as a distribution to owners. FRS 102 contains some specific requirements that are relevant to distributions to owners, for example paragraph 22.17 requires distributions to owners to be recognised in equity. When there are no specific requirements, paragraph 10.5 requires an entity to first have regard to any requirements dealing with similar and related issues. In this case, this would be requirements relating to dividends, which are also distributions to owners. Therefore paragraph 32.8 should be applied to gift aid payments, and an expected gift aid payment shall not be accrued unless a legal obligation to make the payment exists at the reporting date. A board decision to make a gift aid payment to a parent charity, that has been taken prior to the reporting date, is not sufficient to create a legal obligation.
- 86 Just over half the respondents to this issue considered that a liability should be recognised at the reporting date for an expected gift aid payment, for example when there was past practice of making such payments. This is not consistent with FRS 102 and the FRC was not persuaded that this better reflects the substance of the transaction which, for accounting purposes, is a distribution to owners, and therefore no amendment has been made to FRS 102 in this regard.
- 87 Some respondents suggested that additional disclosure requirements be added to FRS 102 in order to provide information about any expected gift aid payment. The FRC considers that the current disclosure requirements of FRS 102, including those relating to tax, are sufficient and no additional disclosure requirements have been added.

Tax effects

- 88 When a subsidiary does not have a legal obligation to distribute its profits to its owners at the reporting date, it would have taxable profits and need to recognise a tax expense

because paragraph 29.14 prevents the tax effects of dividends being recognised before the dividend itself has been recognised.

- 89 Respondents agreed that, in order to provide more relevant information to users of the financial statements, a pragmatic exception to paragraph 29.14 should be made to permit the tax effects of the gift aid payment to be taken into account when it is probable that the gift aid payment will be made within nine months of the reporting date. This is consistent with the way in which the gift aid relief works for corporation tax purposes in that relief is provided automatically against the taxable profits of the previous period when the gift aid payment is made within nine months of the reporting date.
- 90 One respondent requested greater relief from recognising current and deferred tax expense (income) on the basis that ultimately any profits will be eligible for relief. No further relief has been provided in FRS 102 because the exception in paragraph 29.14A is based on the tax relief expected for the reporting period. Any other tax effects should be recognised when relevant; for example, if an entity does not expect to distribute all of its taxable profits, or has revalued items of property, plant and equipment.

Presentation of the tax effects of distributions to owners

- 91 In addition, an amendment has been made to Section 29 *Income Tax* to clarify that the tax effects of distributions to owners shall be presented in profit or loss, rather than the same component as the underlying transaction. This is because when there is a tax effect arising from the distribution it affects taxable profits. This is consistent with an amendment proposed to IAS 12 *Income Taxes*.
- 92 This amendment will be relevant to the tax effects of expected gift aid payments, but may also have wider application.

Hyperinflation

- 93 Section 31 *Hyperinflation* has been amended to address situations when non-monetary items, such as property, plant and equipment, have been revalued at an earlier date. The revaluation reserve shall not be restated when adjustments are made for the effects of hyperinflation. This is a difference from IAS 29 *Financial Reporting in Hyperinflationary Economies* and the IFRS for SMEs reflecting the company law requirement to maintain a revaluation reserve.

Key management personnel compensation

- 94 Some stakeholders questioned whether it was necessary for entities to disclose key management personnel compensation in addition to directors' remuneration, when it is required by company law. There can be significant differences between key management personnel compensation and directors' remuneration, for example when the directors and key management personnel are different, and not all entities applying FRS 102 are subject to company law.
- 95 Therefore the key management personnel disclosure requirement was retained, but an exemption was introduced for entities when there is no difference between the key management personnel and directors. An entity that is not exempt from the requirement to disclose key management personnel compensation shall disclose the total key management personnel compensation, including that relating to the directors.
- 96 It was noted that if there are transactions with directors that are not required to be disclosed as directors' remuneration, they may still require disclosure in accordance with paragraph 33.9.

Definition of a financial institution

- 97 It has been a long-term objective of the FRC to improve the recognition, measurement, presentation and disclosures of financial instruments. When FRS 102 was issued it introduced requirements aimed at improving the disclosure about financial instruments by all entities within its scope.
- 98 Prior to these amendments, FRS 102 defined a financial institution by reference to a list of types of entities supported by a principle, intended to capture other similar entities. Entities that met the definition of a financial institution under FRS 102 (and FRS 101) were required to comply with additional disclosure requirements about the financial instruments they hold which were set out in Section 34 *Specialised Activities* of FRS 102 (or IFRS 7 *Financial Instruments: Disclosure* and IFRS 13 for entities applying FRS 101). These additional disclosures focussed on the risks relating to financial instruments recognised in the statement of financial position and the entity's capital management policies. In addition, such entities were not permitted to take advantage of reduced disclosure exemptions in FRS 102 (or FRS 101) in relation to financial instruments.
- 99 The implementation of FRS 102 resulted in a number of queries about how the definition of a financial institution was applied in practice. Some stakeholders requested the removal of certain entities from the definition, whilst others requested amendments to the principle included in the definition to remove some uncertainties. Additionally, some perceived anomalies were highlighted during outreach.
- 100 After considering a number of options, the principle included in the financial institution definition was amended to remove references to 'generate wealth' and 'manage risk'. This change should help to reduce the interpretational difficulties in relation to implementing these concepts, and should reduce the number of entities meeting the definition of a financial institution.
- 101 In addition, retirement benefit plans were also removed from the definition, as they are not similar to the other entities specifically included in the list and FRS 102 already includes separate disclosure requirements for retirement benefit plans in Section 34.
- 102 Respondents noted that judgement will still need to be applied in determining whether an entity meets the definition of a financial institution, and that the inclusion of stockbrokers on the list will give rise to particular difficulties as they are generally dissimilar from the other entities, in that they do not hold financial instruments on behalf of others. Consequently, stockbrokers have been removed from the list.
- 103 Respondents also noted the difficulties in applying the previous definition to group treasury companies. Some of these issues will have been alleviated by the change in the definition, but whether or not a group treasury company is a financial institution will depend on the individual facts and circumstances. Judgement will need to be applied in determining whether a group treasury company is similar to the other entities listed in the definition of a financial institution.
- 104 Further, bearing in mind the overall objective of entities providing information to enable users of financial statements to evaluate the significance of financial instruments held by the entity, paragraph 11.42 was amended to note that when the risks arising from financial instruments are particularly significant to the business, additional disclosure may be required. The disclosure requirements for financial institutions, set out in paragraphs 34.19 to 34.33, may be relevant in such cases.

Other amendments suggested by stakeholders

105 Stakeholders made many suggestions for improvements and clarifications in FRS 102. All were carefully considered and, in addition to those discussed above, a number resulted in amendments. These included:

- (a) clarifying the steps involved in applying the purchase method to a business combination; and
- (b) the definition of a group reconstruction being revised to incorporate, in certain circumstances, the transfer of a business, in addition to the transfer of equity holdings.

106 However, not all suggestions have resulted in amendments. For example, some stakeholder feedback related to areas where FRS 102 is clear, but the feedback suggested it may not have been applied correctly. The FRC considered alternative ways of supporting stakeholders, rather than amending the standard, and may provide additional informal guidance on some issues.

Comparatives

107 A small number of respondents raised an issue about whether comparatives are always necessary for disclosures required only by a SORP (ie disclosure that is not required by FRS 102). Comparatives are intended to provide useful information to users, and FRS 102 only provides an exemption from comparatives in limited circumstances reflecting historical company law exemptions. Therefore, in accordance with paragraph 3.14, comparatives should be provided for disclosures required by SORPs.

Disclosure

Company law requirements

108 The Consultation Document noted that the FRC intended to review the disclosure requirements of FRS 102 with a view to seeking greater alignment with company law requirements, when possible, and to consider whether, in the light of experience, any disclosure requirements should be amended.

109 The inclusion and integration into FRS 102 of company law disclosure requirements for large companies was considered. It was concluded that it was not possible to achieve this without reducing the usability of FRS 102 or reducing the quality of disclosure, due to some differences in the requirements and inconsistent use of language between the two.

Small Entities in the Republic of Ireland

110 In June 2017 the Republic of Ireland implemented the EU Accounting Directive. The requirements are effective for accounting periods beginning on or after 1 January 2017, but early adoption is permitted for accounting periods beginning on or after 1 January 2015 provided that the financial statements have not yet been approved.

111 As a result, the new small entities regime, as reflected in Section 1A of FRS 102, became available in the Republic of Ireland, however there are some differences in the disclosure requirements applicable in the UK and the Republic of Ireland.

112 When Section 1A was developed, feedback from stakeholders was that Appendix C to Section 1A should reflect, as closely as possible, the company law requirements. Therefore, for a consistent approach, a new Appendix D to Section 1A has been inserted reflecting the disclosure requirements for small entities in the Republic of Ireland.

113 As the small entities regime in the Republic of Ireland is effective for accounting periods beginning on or after 1 January 2017, this has been reflected in the *Triennial review 2017 amendments*.

Financial instruments

114 FRS 102 contains an option for entities to apply the recognition and measurement provisions of either IAS 39 or IFRS 9 instead of the recognition and measurement provisions of Sections 11 and 12. Paragraph 11.42 requires an entity to disclose information that enables users of its financial instruments to evaluate the significance of financial instruments for its financial position and performance. In order to comply with this, an entity that has taken the accounting policy choice to apply the recognition and measurement provisions of IAS 39 or IFRS 9 may need to consider additional disclosure based on IFRS 7 *Financial Instruments: Disclosure*, as it relates to the recognition and measurement policies applied.

115 As IFRS 9 was finalised, amendments were made to IFRS 7 to reflect the new requirements of IFRS 9. In relation to the impairment of financial assets, many changes were made to IFRS 7 to reflect the recognition of expected credit losses. As a result, some of the disclosure requirements of FRS 102 would be inconsistent with the application of the recognition and measurement requirements of IFRS 9. This particularly applied to the disclosure requirements for financial institutions.

116 Therefore a number of changes have been made to the disclosure requirements to ensure that entities applying the recognition and measurement requirements of IFRS 9 are providing relevant information about the impairment of financial assets.

Other suggestions

117 Based on stakeholder feedback, some suggestions for areas where disclosures might be reduced were considered and a small number of disclosure requirements have been deleted. In relation to financial instruments and post-employment benefits, when the required disclosures were addressing potentially significant financial risks they were not reduced.

Editorial amendments

118 Various editorial amendments were made to FRS 102. These editorial amendments were not intended to change the requirements of FRS 102, but improve drafting, usability and update external cross-references. For example they included:

- (a) improving the consistency of the scope sections throughout the standard to make it clearer what is within and outside the scope of each section;
- (b) removing defined terms from the main body of the standard to reduce its length, as defined terms are set out in Appendix I: *Glossary*; and
- (c) improving the consistency of terminology and language in some areas.

119 Appendix II: *Significant differences between FRS 102 and the IFRS for SMEs* was deleted as it is likely to have been of limited use as the IFRS for SMEs is not available for use in Europe.

120 Appendix V: *Previous consultations* was removed. More detailed information on the early development of the standard can be found on the FRC website.

Effective date

- 121 In general these amendments are effective for accounting periods beginning on or after 1 January 2019, with early application permitted provided all the amendments are applied together. The only exceptions are:
- (a) The amendments to paragraphs 11.13A(a), 11.13B, 11.13C and 11.14(a)(i), which relate to directors' loans, for which early application is permitted without early application of the rest of the *Triennial review 2017 amendments*. Separate early application was permitted in order to extend the interim relief granted in May 2017 to all circumstances within the scope of the exemption, now that it has been finalised.
 - (b) The amendments to paragraphs 29.14A and 29.22A, which relate to gift aid payments made within charitable groups, for which early application is permitted without early application of the rest of the *Triennial review 2017 amendments*. Separate early application was permitted following feedback from respondents.
 - (c) Small entities in the Republic of Ireland, for which the effective date is aligned with the implementation of the *Companies (Accounting) Act 2017* (see paragraph 110).
- 122 As the proposed amendments focus on incremental improvements and clarifications, there were only limited circumstances in which a significant change in accounting policy would result from applying the amendments. Transitional arrangements were provided to:
- (a) permit entities to carry forward fair value as deemed cost for investment property that are rented to another group entity, when they are to be measured based on cost going forward – this made a choice available that would have existed on first-time adoption of FRS 102 if this investment property had not been measured at fair value in the meantime (previous UK and Ireland accounting standards would not have regarded such property as investment property); and
 - (b) require entities to continue to recognise separately any intangible assets separated from goodwill in business combinations effected since transition to FRS 102.

Amendments to other UK and Ireland accounting standards

- 123 UK and Ireland accounting standards consist of a suite of complementary standards, which use common terminology and definitions when appropriate. Therefore, when amendments are made to FRS 102, similar amendments may be required to other standards for consistency, including FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*, which was developed from FRS 102, and simplified.
- 124 A number of amendments to FRS 105 were made to reflect those made to FRS 102; however, the more significant amendments to FRS 102 related to areas that were not relevant to FRS 105 (eg classification of financial instruments) or had already been simplified (eg directors' loans). Similarly to FRS 102, the amendments improve the usability and/or improve the cost-effectiveness of the standard, but are unlikely to require any significant changes in accounting policy.

UK company law disclosures for the micro-entities regime

- 125 In addition to the consequential amendments, amendments were made to FRS 105 for further alignment with the company law disclosures for the micro-entities regime. The legal requirement to make these disclosures was effective for accounting periods beginning on or after 1 January 2016 in the UK. However, because an effective date of 1 January 2016 in FRS 105 would be retrospective, these amendments are applicable to accounting periods beginning on or after 1 January 2017, but a footnote has been included to refer to the legal effective date.

126 Paragraph 3.8 of FRS 105 notes that for some of the disclosure requirements, disclosure is not required if the information resulting from that disclosure is not material. When no disclosure is provided on the basis that the resulting information is not material, a micro-entity is not required to state that fact.

Micro-entities in the Republic of Ireland

127 In June 2017, the Republic of Ireland implemented the EU Accounting Directive. The requirements are effective for accounting periods beginning on or after 1 January 2017, but early adoption is permitted for accounting periods beginning on or after 1 January 2015 provided that the financial statements have not yet been approved.

128 As a result, the micro-entities regime, as reflected in FRS 105, became available in the Republic of Ireland, however there are some differences in the disclosure requirements applicable in the UK and the Republic of Ireland. Appendix B to Section 6 of FRS 105 has been inserted reflecting the disclosure requirements for micro-entities in the Republic of Ireland.

129 FRS 105 does not contain accounting requirements specific to public benefit entities; micro-entities in Ireland that are charities will need to have regard to any specific requirements under the Charities Act 2009.

Table 1

Exposure drafts and consultation documents

The feedback from the following FRC exposure drafts and consultations has been considered in the development of these amendments.

Title		Date of issue
Request for information	Request for comments on the implementation of FRS 102 in order to inform the future development of FRS 102	Mar 2016
Consultation Document	<i>Triennial review of UK and Ireland accounting standards – Approach to change in IFRS</i>	Sep 2016
FRED 67	<i>Draft amendments to FRS 102 – Triennial review 2017 – Incremental improvements and clarifications</i>	Mar 2017
FRED 68	<i>Draft amendments to FRS 102 – Payments by subsidiaries to their charitable parents that qualify for gift aid</i>	Sep 2017



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