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FRS 100

Application of Financial Reporting Requirements

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FRS 100

Application of Financial Reporting
Requirements

FRS 100 *Application of Financial Reporting Requirements* 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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Summary

- (i) In 2012 and 2013 the Financial Reporting Council (FRC) revised financial reporting standards for the United Kingdom and Republic of Ireland. The revision fundamentally reformed financial reporting, replacing almost all extant standards with three Financial Reporting Standards:
- FRS 100 *Application of Financial Reporting Requirements*;
 FRS 101 *Reduced Disclosure Framework*; and
 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.
- (ii) The revisions made by the FRC followed a sustained and detailed period of consultation. The FRC made these fundamental changes recognising that the introduction of International Financial Reporting Standards for listed groups in 2002 (with application from 2005) called into question the need for two sets of financial reporting standards. Evidence from consultation supported a move towards an international-based framework for financial reporting, but one that was proportionate to the needs of preparers and users.
- (iii) 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.
- (iv) In meeting this objective, the FRC aims to provide succinct financial reporting standards that:
- have consistency with international accounting standards through the application of an IFRS-based solution unless an alternative clearly better meets the overriding objective;
 - reflect up-to-date thinking and developments in the way entities operate and the transactions they undertake;
 - balance consistent principles for accounting by all UK and Republic of Ireland entities with practical solutions, based on size, complexity, public interest and users' information needs;
 - promote efficiency within groups; and
 - are cost-effective to apply.
- (v) The requirements in this Financial Reporting Standard (FRS) take into consideration the findings from the consultations on the future of financial reporting in the UK and Republic of Ireland that took place between 2002 and 2012.
- (vi) This FRS sets out the financial reporting requirements for UK and Republic of Ireland entities. Financial statements (whether consolidated financial statements or individual financial statements) that are within the scope of this FRS must be prepared in accordance with the following requirements:
- If the financial statements are those of an entity that is eligible to apply the Financial Reporting Standard for Smaller Entities (FRSSE), they may be prepared in accordance with that standard.
 - If the financial statements are those of an entity that is not eligible to apply the FRSSE, or of an entity that is eligible to apply the FRSSE but chooses not to do so, they must be prepared in accordance with FRS 102, EU-adopted IFRS or, if the financial statements are the individual financial statements of a qualifying entity, FRS 101¹.

¹ Under company law in the Republic of Ireland, certain companies are permitted to prepare Companies Act accounts using a financial reporting framework based on accounting standards other than those issued by the FRC. Please refer to Appendix IV for further details.

- (vii) FRS 101 sets out a reduced disclosure framework which addresses the financial reporting requirements and disclosure exemptions for the individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.
- (viii) FRS 102 is a single financial reporting standard that applies to the financial statements of entities that are not applying EU-adopted IFRS, FRS 101 or the FRSSE.
- (ix) The FRSSE sets out the financial reporting requirements for smaller entities as defined by company law and entities which are not companies but would otherwise meet the criteria of a small company.

Financial Reporting Standard 100

Application of Financial Reporting Requirements

Objective

- 1 The objective of this Financial Reporting Standard (FRS) is to set out the applicable financial reporting framework for entities preparing financial statements in accordance with legislation, regulations or accounting standards applicable in the United Kingdom and Republic of Ireland.

Scope

- 2 This FRS applies to financial statements that are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss for a period.

Abbreviations and definitions

- 3 The terms **Act**, **date of transition**, **EU-adopted IFRS**, **financial institution**, **FRS 100**, **FRS 101**, **FRS 102**, **FRSSE**, **IAS Regulation**, **IFRS**, **individual financial statements**, **public benefit entity**, **qualifying entity**, **Regulations** and **SORP** are defined in the glossary included as Appendix I to this FRS.

Basis of preparation of financial statements

- 4 Financial statements (whether consolidated financial statements or individual financial statements) that are within the scope of this FRS, and that are not required by the IAS Regulation or other legislation or regulation to be prepared in accordance with EU-adopted IFRS, must be prepared in accordance with the following requirements:
 - (a) If the financial statements are those of an entity that is eligible to apply the FRSSE², they may be prepared in accordance with that standard;
 - (b) If the financial statements are those of an entity that is not eligible to apply the FRSSE, or of an entity that is eligible to apply the FRSSE but chooses not to do so, they must³ be prepared in accordance with FRS 102, EU-adopted IFRS⁴ or, if the financial statements are the individual financial statements of a qualifying entity, FRS 101.⁵

Application of statements of recommended practice (SORPs)

- 5 If an entity's financial statements are prepared in accordance with the FRSSE or FRS 102, SORPs will apply in the circumstances set out in those standards.
- 6 When a SORP applies, the entity should state in its financial statements the title of the SORP and whether its financial statements have been prepared in accordance with the

² The eligibility criteria for applying the FRSSE are set out in paragraph 8 of the FRSSE. One of the criteria is that the entity must be 'small' as defined in company law. Turnover and balance sheet total should be measured in accordance with the FRSSE for the purposes of establishing whether the entity is 'small'; the measurement of turnover and balance sheet total in accordance with FRS 101 or FRS 102 need not be considered.

³ Under company law in the Republic of Ireland, certain companies are permitted to prepare Companies Act accounts using a financial reporting framework based on accounting standards other than those issued by the FRC. Please refer to Appendix IV for further details.

⁴ Some entities are prohibited from applying EU-adopted IFRS, for example section 395(2) of the Act states that 'the individual accounts of a company that is a charity must be Companies Act individual accounts', and section 403(3) of the Act mirrors this for the group accounts of a parent company that is a charity.

⁵ Individual accounts that are prepared by a company in accordance with FRS 101 or FRS 102 are Companies Act individual accounts (section 395(1)(a) of the Act), whereas individual accounts that are prepared by a company in accordance with EU-adopted IFRS are IAS individual accounts (section 395(1)(b) of the Act).

SORP's provisions that are currently in effect⁶. In the event of a departure from those provisions, the entity should give a brief description of how the financial statements depart from the recommended practice set out in the SORP, which shall include:

- (a) for any treatment that is not in accordance with the SORP, the reasons why the treatment adopted is judged more appropriate to the entity's particular circumstances; and
 - (b) brief details of any disclosures recommended by the SORP that have not been provided, and the reasons why they have not been provided.
- 7 SORPs recommend particular accounting treatments and disclosures with the aim of narrowing areas of difference and variety between comparable entities. Compliance with a SORP that has been generally accepted by an industry or sector leads to enhanced comparability between the financial statements of entities in that industry or sector. Comparability is further enhanced if users are made aware of the extent to which an entity complies with a SORP, and the reasons for any departures. The effect of a departure from a SORP need not be quantified, except in those rare cases where such quantification is necessary for the entity's financial statements to give a true and fair view.
- 8 Entities whose financial statements do not fall within the scope of a SORP may, if the SORP is otherwise relevant to them, nevertheless choose to comply with the SORP's recommendations when preparing financial statements, provided that the SORP does not conflict with the requirements of the framework adopted. Where this is the case, entities are encouraged to disclose that fact.

Statement of compliance

- 9 Where an entity prepares its financial statements in accordance with FRS 101, FRS 102 or the FRSSE, it shall include a statement of compliance in the notes to the financial statements in accordance with the requirements set out in the relevant standard.

Date from which effective and transitional arrangements

- 10 An entity shall apply this FRS for accounting periods beginning on or after 1 January 2015. Early application of this FRS is permitted subject to the early application provisions set out in FRS 101, FRS 102 and the FRSSE (effective January 2015). If an entity applies this FRS before 1 January 2015 it shall disclose that fact.
- 11 On first-time application of this FRS, or when an entity changes the basis of preparation of its financial statements within the requirements of this FRS, it shall apply the transitional arrangements relevant to its circumstances as follows:
- (a) An entity transitioning to EU-adopted IFRS shall apply the transitional arrangements set out in IFRS 1 *First-time Adoption of International Financial Reporting Standards* as adopted by the EU.
 - (b) A qualifying entity transitioning to FRS 101 shall, unless it is applying EU-adopted IFRS prior to the date of transition (see paragraph 12), apply the requirements of paragraphs 6 to 33 of IFRS 1 as adopted by the EU including the relevant appendices; references to IFRSs in IFRS 1 are interpreted to mean EU-adopted IFRS as amended in accordance with paragraph 5(b) of FRS 101.
 - (c) An entity transitioning to FRS 102 shall apply the transitional arrangements set out in that standard.
 - (d) An entity transitioning to the FRSSE shall apply the transitional arrangements set out in the FRSSE.

⁶ The provisions of a SORP will cease to have effect, for example, to the extent that they conflict with a more recent financial reporting standard.

- 12 A qualifying entity applying EU-adopted IFRS prior to the date of transition to FRS 101 will then be preparing Companies Act individual accounts in accordance with section 395(1)(a) of the Act and thus will no longer be preparing IAS individual accounts in accordance with section 395(1)(b) of the Act.⁷ It shall consider whether amendments are required to comply with paragraph 5(b) of FRS 101, but it does not reapply the provisions of IFRS 1. Where amendments to the recognition, measurement and disclosure requirements of EU-adopted IFRS in accordance with paragraph 5(b) of FRS 101 are required, the entity shall determine whether the amendments have a material effect on the first financial statements presented. Where there is:
- (a) no material effect, the qualifying entity shall disclose that it has undergone transition to FRS 101 and a brief narrative of the disclosure exemptions adopted, for all periods presented; or
 - (b) a material effect, the qualifying entity's first financial statements shall include:
 - (i) a description of the nature of each material change in accounting policy;
 - (ii) reconciliations of its equity determined in accordance with EU-adopted IFRS to its equity determined in accordance with FRS 101 for both the date of transition to FRS 101 and for the end of the latest period presented in the entity's most recent annual financial statements prepared in accordance with EU-adopted IFRS; and
 - (iii) a reconciliation of the profit or loss determined in accordance with EU-adopted IFRS to its profit or loss determined in accordance with FRS 101 for the latest period presented in the entity's most recent annual financial statements prepared in accordance with EU-adopted IFRS.
- 13 Where paragraph 12(b) applies but it is impracticable to apply the amendments retrospectively, a qualifying entity shall apply the amendments to the earliest period for which it is practicable to do so, and it 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 with the reduced disclosure framework set out in FRS 101.

Withdrawal of current accounting standards

- 14 The following SSAPs, FRSs and UITF Abstracts are superseded on the early application of this FRS. These SSAPs, FRSs and UITF Abstracts will be withdrawn for accounting periods beginning on or after 1 January 2015.

SSAP 4	<i>Accounting for government grants;</i>
SSAP 5	<i>Accounting for value added tax;</i>
SSAP 9	<i>Stocks and long-term contracts;</i>
SSAP 13	<i>Accounting for research and development;</i>
SSAP 19	<i>Accounting for investment properties;</i>
SSAP 20	<i>Foreign currency translation;</i>
SSAP 21	<i>Accounting for leases and hire purchase contracts; including the Guidance Notes on SSAP 21;</i>
SSAP 25	<i>Segmental reporting;</i>
FRS 1	<i>Cash flow statements (revised 1996);</i>
FRS 2	<i>Accounting for subsidiary undertakings;</i>
FRS 3	<i>Reporting financial performance;</i>

⁷ Further relevant information can be found at paragraph A2.14 of Appendix II.

FRS 4	<i>Capital instruments;</i>
FRS 5	<i>Reporting the substance of transactions;</i>
FRS 6	<i>Acquisitions and mergers;</i>
FRS 7	<i>Fair values in acquisition accounting;</i>
FRS 8	<i>Related party disclosures;</i>
FRS 9	<i>Associates and joint ventures;</i>
FRS 10	<i>Goodwill and intangible assets;</i>
FRS 11	<i>Impairment of fixed assets and goodwill;</i>
FRS 12	<i>Provisions, contingent liabilities and contingent assets;</i>
FRS 13	<i>Derivatives and other financial instruments: disclosures;</i>
FRS 15	<i>Tangible fixed assets;</i>
FRS 16	<i>Current tax;</i>
FRS 17	<i>Retirement benefits;</i>
FRS 18	<i>Accounting policies;</i>
FRS 19	<i>Deferred tax;</i>
FRS 20 (IFRS 2)	<i>Share-based payment;</i>
FRS 21 (IAS 10)	<i>Events after the balance sheet date;</i>
FRS 22 (IAS 33)	<i>Earnings per share;</i>
FRS 23 (IAS 21)	<i>The effects of changes in foreign exchange rates;</i>
FRS 24 (IAS 29)	<i>Financial reporting in hyperinflationary economies;</i>
FRS 25 (IAS 32)	<i>Financial instruments: Presentation;</i>
FRS 26 (IAS 39)	<i>Financial instruments: Recognition and Measurement;</i>
FRS 28	<i>Corresponding amounts;</i>
FRS 29 (IFRS 7)	<i>Financial instruments: Disclosures;</i>
FRS 30	<i>Heritage assets;</i>
UITF Abstract 4:	<i>Presentation of long-term debtors in current assets;</i>
UITF Abstract 5:	<i>Transfers from current assets to fixed assets;</i>
UITF Abstract 9:	<i>Accounting for operations in hyper-inflationary economies;</i>
UITF Abstract 11:	<i>Capital instruments: Issuer call options;</i>
UITF Abstract 15:	<i>Disclosure of substantial acquisitions (Revised 1999);</i>
UITF Abstract 19:	<i>Tax on gains and losses on foreign currency borrowings that hedge an investment in a foreign enterprise;</i>
UITF Abstract 21:	<i>Accounting issues arising from the proposed introduction of the euro;</i>
UITF Abstract 22:	<i>The acquisition of a Lloyd's business;</i>
UITF Abstract 23:	<i>Application of the transitional rules in FRS 15;</i>
UITF Abstract 24:	<i>Accounting for start-up costs;</i>
UITF Abstract 25:	<i>National Insurance contributions on share option gains;</i>
UITF Abstract 26:	<i>Barter transactions for advertising;</i>

- UITF Abstract 27: *Revision to estimates of the useful economic life of goodwill and intangible assets;*
- UITF Abstract 28: *Operating lease incentives;*
- UITF Abstract 29: *Website development costs;*
- UITF Abstract 31: *Exchanges of businesses or other non-monetary assets for an interest in a subsidiary, joint venture or associate;*
- UITF Abstract 32: *Employee benefit trusts and other intermediate payment arrangements;*
- UITF Abstract 34: *Pre-contract costs;*
- UITF Abstract 35: *Death-in-service and incapacity benefits;*
- UITF Abstract 36: *Contracts for sales of capacity;*
- UITF Abstract 38: *Accounting for ESOP trusts;*
- UITF Abstract 39: *(IFRIC Interpretation 2) Members' shares in co-operative entities and similar instruments;*
- UITF Abstract 40: *Revenue recognition and service contracts;*
- UITF Abstract 41: *(IFRIC Interpretation 8) Scope of FRS 20 (IFRS 2);*
- UITF Abstract 42: *(IFRIC Interpretation 9) Reassessment of embedded derivatives;*
- UITF Abstract 43: *The interpretation of equivalence for the purposes of section 228A of the Companies Act 1985;*
- UITF Abstract 44: *(IFRIC Interpretation 11) FRS 20 (IFRS 2) Group and Treasury Share Transactions;*
- UITF Abstract 45: *(IFRIC Interpretation 6) Liabilities arising from participating in a specific market – Waste electrical and electronic equipment;*
- UITF Abstract 46: *(IFRIC Interpretation 16) Hedges of a net investment in a foreign operation;*
- UITF Abstract 47: *(IFRIC Interpretation 19) Extinguishing financial liabilities with equity instruments; and*
- UITF Abstract 48: *Accounting implications of the replacement of the retail prices index with the consumer prices index for retirement benefits.*

15 The following statements are also withdrawn:

Statement of Principles for Financial Reporting;

Statement of Principles for Financial Reporting – Interpretation for public benefit entities; and

Reporting Statement: Retirement Benefits – Disclosures.

Consequential amendments to the FRSSE

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

(a) Paragraph 1 of the Status of the FRSSE is amended as follows:

The Financial Reporting Standard for Smaller Entities (effective January 2015 ~~April 2008~~) – the FRSSE – prescribes the basis, for those entities within its scope that have chosen to adopt it, for preparing and presenting their financial statements. The definitions and accounting treatments are consistent with the requirements of companies legislation and, ~~for the generality of small entities, are the same as those~~

~~previously required by other accounting standards or a simplified version of those requirements. The disclosure requirements exclude a number of those stipulated in other accounting standards.~~

- (b) Paragraph 2 of the Status of the FRSSE is amended as follows:

Reporting entities that apply the FRSSE, together with FRS 100 *Application of Financial Reporting Requirements*, are exempt from complying with other Financial Reporting Standards (FRSs) accounting standards. (Statements of Standard Accounting Practice and Financial Reporting Standards) and Urgent Issues Task Force (UITF) Abstracts, unless preparing consolidated financial statements, in which case certain other accounting standards apply, as set out in paragraph 16.1.

- (c) Paragraph 4 of the Status of the FRSSE is deleted and a new paragraph is inserted:

The significant differences between this version of the FRSSE (effective January 2015) and the FRSSE (effective April 2008) are in respect of the revised reporting framework introduced into the UK effective January 2015. As part of the revised reporting framework, the FRC has withdrawn extant Financial Reporting Standards and Urgent Issues Task Force (UITF) Abstracts. It has made consequential amendments to the FRSSE where it previously referred to standards or Abstracts that are now withdrawn.

- (d) Paragraph 5 of the Status of the FRSSE is amended as follows:

Financial statements will generally be prepared using accepted practice and, accordingly, for transactions or events not dealt with in the FRSSE, smaller entities should first have regard to their own existing accounting policies. Where an entity applying the FRSSE undertakes a new transaction not dealt with in the FRSSE for which it has no existing policy, in developing a new policy it should have regard to FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, other accounting standards and UITF Abstracts, not as a mandatory documents, but as a means of establishing current practice.

- (e) Paragraph 5A is inserted:

Public benefit entities (PBEs), only, shall have regard to the requirements in FRS 102 that are specific to PBEs not as mandatory requirements, but as a means of establishing current practice.

- (f) Paragraph 6 of the Status of the FRSSE is amended as follows:

When considering the application of accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, to smaller entities, the ~~Accounting Standards Board~~ FRC has had, and will continue to have, regard to the following criteria...

- (g) Paragraph 10 of the Status of the FRSSE is amended and footnote inserted as follows:

Reporting entities that are entitled to adopt the FRSSE, but choose not to do so, are required to apply EU-adopted IFRS, FRS 101 *Reduced Disclosure Framework* (in the individual financial statements of qualifying entities) or FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, in accordance with the requirements of FRS 100 *Application of Financial Reporting Requirements*, ~~should apply Statements of Standard Accounting Practice (SSAPs), other Financial Reporting Standards (FRSs) and UITF Abstracts~~ when preparing financial statements intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity⁸.

⁸ Under company law in the Republic of Ireland, certain companies are permitted to prepare Companies Act accounts using a financial reporting framework based on accounting standards other than those issued by the FRC.

- (h) Paragraph 11 of the Status of the FRSSE is amended as follows:

Statements of Recommended Practice (SORPs) and other equivalent guidance ~~developed or revised after the FRSSE was first issued (in November 1997)~~ may specify the circumstances, if any, in which entities in the industry or sector addressed in the SORP or equivalent guidance may adopt the current version of the FRSSE.

[insert paragraph break]

~~Where financial statements that purport to comply with existing SORPs that are drafted on the basis that the financial statements comply with of the requirements of SSAPs, FRSs (other than the FRSSE) FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and UITF Abstracts, financial statements cannot be said to comply with those SORPs if they are prepared in accordance with should also observe those requirements rather than adopt the FRSSE.~~

- (i) Paragraph 2.6 of the FRSSE is amended as follows:

The financial statements shall state that they have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015 ~~April 2008~~).

- (j) The footnote to paragraph 2.6 of the FRSSE is amended as follows:

This statement may be included with the note of accounting policies or, for those entities taking advantage of the exemptions for small companies in companies legislation, in the statement required by companies legislation to be given on the balance sheet. For example, in the United Kingdom the combined statement could read as follows “These accounts have been prepared in accordance with the ~~special provisions relating~~ applicable to small companies within Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective January 2015 ~~April 2008~~).” If abbreviated accounts are also to be prepared, the statement referring to the Financial Reporting Standard for Smaller Entities (effective January 2015 ~~April 2008~~) shall be included with the note of accounting policies so that it is reproduced in the abbreviated accounts.

- (k) Paragraph 6.13 of the FRSSE is amended as follows:

Capitalised goodwill and **intangible assets** shall be considered to have a finite useful life, and shall be **depreciated** on a straight-line (or more appropriate) basis over their **useful economic lives**. ~~which~~ If an entity is unable to make a reliable estimate of the useful life of goodwill or intangible assets, the life shall be presumed not to exceed not exceed 20 five years. THE PERIOD CHOSEN FOR DEPRECIATING GOODWILL AND THE REASONS FOR CHOOSING THAT PERIOD MUST BE DISCLOSED IN A NOTE TO THE ACCOUNTS.

- (l) Paragraph 6.45 is amended:

Fixed assets and goodwill shall be carried in the balance sheet at no more than recoverable amount. If the net book amount of a fixed asset or goodwill is considered not to be recoverable in full at the balance sheet date ~~(perhaps as a result of obsolescence or a fall in demand for a product)~~, the net book amount shall be written down to the estimated recoverable amount, which shall then be written off over the remaining useful economic life of the asset.

- (m) Paragraph 6.45A to 6.45C are inserted:

6.45A At each reporting date an assessment shall be carried out of whether there is any indication that an asset should be written down (ie whether its carrying amount is more than its recoverable amount). If any such indication exists, the recoverable amount of the asset shall be estimated. If there is no indication that an asset should be written down, it is not necessary to estimate the recoverable amount.

6.45B In assessing whether there is any indication that an asset should be written down, the following might be considered:

- (a) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- (b) Significant changes with an adverse effect on an asset, or the entity, have taken place during the period, or will take place in the near future, (for example external factors such as technological, market, economic or legal changes or internal factors such as the asset becoming idle, or plans to dispose of an asset before the previously expected date).
- (c) Market interest rates have increased during the period, and those increases are likely to affect materially the asset's recoverable amount.
- (d) Evidence is available of obsolescence or physical damage of an asset.
- (e) Evidence is available from internal reporting that indicates that operating results or cash flows from the use of the asset are, or will be, worse than expected.

6.45C If there is an indication that an asset should be written down, this may indicate that the entity should review the remaining useful economic life, the depreciation method or the residual value of the asset and adjust it in accordance with paragraph 6.40 even if no loss is recognised for writing down the asset.

(n) Paragraph 15.7 of the FRSSE is amended as follows:

Disclosure, as a **related party** transaction, is not required of:

- (a) pension contributions paid to a pension fund;
- (b) emoluments in respect of services as an employee of the reporting entity; or
- (c) transactions with the parties listed below simply as a result of their role as:
 - (i) providers of finance in the course of their business in that regard;
 - (ii) utility companies;
 - (iii) **government** departments and their sponsored bodies; or
 - (iv) a customer, supplier, franchiser, distributor or general agent; or
- (d) related party 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.

(o) Paragraph 16.2 of the FRSSE is amended as follows:

Where the reporting entity is preparing **consolidated financial statements**, it should have regard to paragraph 5 of the Status of the FRSSE as a means of developing its policies and practices for the preparation of its consolidated financial statements. ~~as standard the accounting practices and disclosure requirements set out in FRSs 2, 6, 7 and, as they apply in respect of **consolidated financial statements**, FRSs 5, 9, 10⁴, 11 and 28. Where the reporting entity is part of a group that prepares publicly available **consolidated financial statements**, it is entitled to the exemptions given in FRS 8 paragraph 3(a)-(c).~~

~~FRS 10 and, as directed by FRS 10, FRS 11 need be applied only in respect of purchased goodwill arising on consolidation.~~

(p) Paragraph 19.1 of the FRSSE is amended as follows:

The accounting practices set out in this Financial Reporting Standard for Smaller Entities (effective January 2015 ~~April 2008~~) shall be regarded as standard in respect

of financial statements relating to accounting periods beginning on or after 1 January 2015 ~~6 April 2008~~. Earlier application is permitted.

- (q) Paragraph 20.1 of the FRSSE is amended as follows:

The Financial Reporting Standard for Smaller Entities (effective January 2015 ~~April 2008~~) supersedes the FRSSE (effective April 2008 ~~January 2007~~).

- (r) In Part C 'Definitions', the definition of 'Close family' is amended as follows:

Close members of the family of a person:-

Close members of the family of ~~an individual~~ a person are those family members, ~~or members of the same household,~~ who may be expected to influence, or be influenced by, that person in their dealings with the ~~reporting~~ entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependents of that person or that person's spouse or domestic partner.

- (s) In Part C 'Definitions', the definition of 'Key management personnel' is inserted:

Key management personnel:-

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

- (t) In Part C 'Definitions', the definition of 'Public benefit entities' is inserted:

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.

- (u) In Part C 'Definitions', the definition of a related party is deleted and replaced with:

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

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

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or

- (b) is a member of the **key management personnel** of the reporting entity or of a parent of the reporting entity. An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a retirement benefit scheme for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a scheme, the sponsoring employers are also related to the reporting entity.

- (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (v) The final sentence of paragraph 35 to Appendix IV 'Development of the FRSSE' is deleted. Appendix V of the FRSSE (effective April 2008) is deleted in full.
- (w) In Appendix IV 'Development of the FRSSE' paragraphs 38 and 39 are renumbered 41 and 42 and new paragraphs 38, 39 and 40, including the heading, are inserted as follows:

The FRSSE (effective January 2015)

- 38 In November 2012 the FRC⁹ amended the FRSSE as a consequence of the significant changes that were made to UK and Republic of Ireland financial reporting standards at this date. In November 2012 the FRC revised extant Financial Reporting Standards, withdrawing its existing financial reporting standards and supplementary literature from 1 January 2015 and replacing them with revised financial reporting requirements, based on International Financial Reporting Standards (for example, the IFRS for SMEs was used as a basis for FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*). The FRSSE (effective April 2008) was amended as a consequence of these changes.
- 39 The consequential amendments to the FRSSE were to update references in the FRSSE (effective April 2008) to accounting standards that were withdrawn or for greater consistency with legislation. In addition, the FRC explained that where an entity applying the FRSSE undertakes a new transaction for which it has no existing accounting policy it should have regard to FRS 102, not as a mandatory document but as a means of establishing current practice. The FRC removed the reference to the accounting standards applicable to consolidated financial statements because the general requirements in the FRSSE for developing accounting policies for transactions or events that are not dealt with in the FRSSE are equally applicable to consolidated financial statements.
- 40 The FRC made two further amendments to the FRSSE:
- (a) it introduced a requirement which is consistent with the EU Directives, that if an entity is unable to make a reliable estimate of the useful life of goodwill or intangible assets, the life shall be presumed not to exceed five years.
 - (b) it clarified that an entity shall assess annually whether there is any indication that an asset should be written down. This will assist entities applying the existing requirement for fixed assets and goodwill to be carried at no more than their recoverable amount.

These amendments relate to applying existing company law requirements.

- (x) Renumbered paragraphs 41 and 42 are amended:
- ~~38~~ 41 The FRSSE is designed to provide smaller entities with a single accounting standard that is focused on their particular circumstances. Smaller entities that choose to adopt the FRSSE are exempt from other accounting standards and UITF Abstracts (with certain exceptions for those small groups preparing consolidated financial statements). The Board FRC accepts that the FRSSE is not comprehensive and that there may be issues of general application on which guidance will be sought. Preparers may come across transactions on which accounting guidance is not provided in the FRSSE. This raises the question of

⁹ The Financial Reporting Council (FRC) became the prescribed body for issuing accounting standards on 2 July 2012; the prescribed body was previously the Accounting Standards Board (ASB).

whether, in the absence of guidance within the FRSSE, preparers and auditors would be required to follow all SSAPs, other FRSs FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and UITF Abstracts to the extent that ~~they~~ it provides guidance on transactions of relevance to the smaller entity. The ~~Board~~ FRC's view, formulated after consultation with legal advisers and others, is that users expect financial statements to be prepared using accepted practice. If a practice was clearly established and accepted, it should be followed unless there were good reasons to depart from it. Accordingly, preparers and auditors should have regard to ~~SSAPs, FRSs (including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*), and UITF Abstracts~~ not as mandatory documents, but as a means of establishing current practice.

39 42 In relation to earlier versions of the FRSSE, some respondents asked that there should be specific cross references within the FRSSE to SSAPs, other FRSs and UITF Abstracts (the equivalent cross references would now be to FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*). The ~~Board~~ FRC rejected this suggestion because the inclusion of cross-references would lead to preparers and auditors having to consider those other pronouncements in all cases, as well as the FRSSE, thereby lengthening checklists and adding to the burden. Furthermore, it is recognised that as new FRSs are issued (including introducing FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*) that amend generally accepted accounting practice as it applies to larger entities, it may not be appropriate for such rules to apply to smaller entities. ~~An example that has been frequently cited, but on which the Board has not established a firm position, is that some of the likely proposals on marking to market fixed interest instruments, while appropriate for larger entities, would not be appropriate for smaller entities. Because generally accepted accounting practice had not been established for all in this area then there would not be an expectation that smaller entities should have regard to such a rule.~~

Application Guidance: The Interpretation of Equivalence

This application guidance forms an integral part of FRS 100

Introduction

AG1 Section 401 of the Act exempts, subject to certain conditions, an intermediate parent from the requirement to prepare consolidated financial statements where its parent is not established under the law of an EEA state. Section 401 states that:

- (2) *Exemption is conditional upon compliance with all of the following conditions—*
- (a) *the company and all of its subsidiary undertakings must be included in consolidated accounts for a larger group drawn up to the same date, or to an earlier date in the same financial year, by a parent undertaking;*
 - (b) *those accounts and, where appropriate, the group's annual report, must be drawn up—*
 - (i) *in accordance with the provisions of the Seventh Directive (83/349/EEC) (as modified, where relevant, by the provisions of the Bank Accounts Directive (86/635/EEC) or the Insurance Accounts Directive (91/674/EEC)), or*
 - (ii) *in a manner **equivalent** to consolidated accounts and consolidated annual reports so drawn up;... (emphasis added)*

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.

AG3 This Application Guidance provides guidance on interpreting the meaning of equivalence in the two circumstances set out above.

Section 401 of the Companies Act 2006

AG4 Use of the exemption in section 401 requires an analysis of a particular set of consolidated financial statements to determine whether they are drawn up in a manner equivalent to consolidated financial statements that are in accordance with the Seventh Directive¹⁰. This Application Guidance aims to assist entities in adopting a consistent approach to this issue. In the absence of this guidance, companies and their auditors might feel obliged to take an overly cautious approach in response to uncertainty about whether the exemptions can be used.

AG5 It is generally accepted that the reference to equivalence in section 401 of the Act does not mean compliance with every detail of the Seventh Directive. When assessing whether consolidated financial statements of a higher non-EEA parent are drawn up in a manner equivalent to consolidated financial statements drawn up in accordance with the Seventh Directive, it is necessary to consider whether they meet the basic requirements of the Fourth and Seventh Directives; in particular the requirement to give a true and fair view, without implying strict conformity with each and every provision. A

¹⁰ The Seventh Directive deals with consolidated accounts and applies most of the requirements of the Fourth Directive (78/660/EEC) to those consolidated accounts. Consideration of equivalence with the Seventh Directive therefore requires consideration of equivalence with the relevant provisions of the Fourth Directive. References in this Application Guidance to accounts being prepared in accordance with the Seventh Directive include, where appropriate, compliance with the relevant provisions of the Fourth Directive.

qualitative approach is more in keeping with the deregulatory nature of the exemption than a requirement to consider the detailed requirements on a checklist basis.

AG6 The consequences of adopting the principle in paragraph AG5 are that consolidated financial statements of the higher parent will meet the test of equivalence in the Seventh Directive if they:

- (a) give a true and fair view and comply with FRS 102;
- (b) are prepared in accordance with EU-adopted IFRS;
- (c) are prepared in accordance with IFRS, subject to the consideration of the reasons for any failure by the European Commission to adopt a standard or interpretation; and
- (d) are prepared using other GAAPs which are closely related to IFRS, subject to consideration of the effect of any differences from EU-adopted IFRS.

Consolidated financial statements of the higher parent prepared using:

- (e) other GAAPs should be assessed for equivalence with the Seventh Directive based on the particular facts, including the similarities to and differences from the Seventh Directive (see paragraph AG7); and
- (f) the IFRS for SMEs shall be assessed for equivalence with the Seventh Directive where the following factors are considered:
 - (i) applying the disclosure requirements for extraordinary items;
 - (ii) requiring additional disclosures for financial liabilities that were held at fair value but were neither held as part of a trading portfolio nor a derivative;
 - (iii) shortening the presumed life of goodwill from 10 to not exceeding five years, where an entity is unable to make a reliable estimate of the useful life;
 - (iv) recognising negative goodwill in the income statement only when it meets the definition of a realised profit;
 - (v) replacing the prohibition on reversal of impairment losses of goodwill with a requirement to reverse the loss if, and only if, the reasons for the impairment cease to apply; and
 - (vi) removing the requirement for unpaid called-up share capital to be recognised as an offset to equity.

AG7 A mechanism to determine the equivalence of the Generally Accepted Accounting Principles (GAAP) from third countries was established in 2007. Accordingly, the European Commission adopted a Decision and Regulation which identified as equivalent to IFRS the US GAAP, the Japanese GAAP, and accepted financial statements using the GAAP of China, Canada, India and South Korea within the EU on a temporary basis until 31 December 2011. In accordance with relevant EU legislation the European Commission has been updating the European Parliament at regular intervals on the progress made by these countries with their respective programmes to converge their GAAP with IFRS¹¹.

This decision was amended on 11 April 2012¹² to state that from 1 January 2012, with regard to annual consolidated financial statements and half-yearly consolidated

¹¹ As set out in a European Commission Staff Working Paper *State of play on convergence between International Financial Reporting Standards (IFRS) and third country national Generally Accepted Accounting Principles (GAAP)* (Ref: SEC(2011) 911 final).

¹² Commission Implementing Decision of 11 April 2012 amending Decision 2008/961/EC on the use by third countries' issuers of securities of certain third country's national accounting standards and International Financial Reporting Standards to prepare their consolidated financial statements (Ref: 2012/194/EU).

financial statements, the following standards shall be considered as equivalent to IFRS adopted pursuant to Regulation (EC) No 1606/2002:

- (a) GAAP of the People's Republic of China;
- (b) GAAP of Canada; and
- (c) GAAP of the Republic of Korea.

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 2015.

Equivalent disclosures are included in the consolidated financial statements of the group

- AG8 In deciding whether the consolidated financial statements of the parent provide disclosures which are equivalent to the requirements of EU-adopted IFRS or FRS 102, from which relief is provided in paragraphs 8 to 9 of FRS 101 and paragraphs 1.12 to 1.13 of FRS 102 respectively, it is necessary to consider whether the consolidated financial statements of the parent provide disclosures that meet the basic disclosure requirements of the relevant standard or interpretation issued (or adopted) by the relevant standard setter, without requiring strict conformity with each and every disclosure. This assessment should be based on the particular facts, including the similarities to and differences from the requirements of the relevant standard from which relief is provided.
- AG9 The concept of 'equivalence' described in paragraph AG8 is intended to be aligned to that described for section 401 of the Act.
- AG10 Disclosure exemptions for subsidiaries are permitted where the relevant disclosure requirements are met in the consolidated financial statements, even where the disclosures are made in aggregate or in an abbreviated form. If, however, no disclosure is made in the consolidated financial statements on the grounds of materiality, the relevant disclosures should be made at the subsidiary level if material in those financial statements.

Approval by the FRC

Financial Reporting Standard 100 *Application of Financial Reporting Requirements* was approved for issue by the Board of the Financial Reporting Council on 1 November 2012, following its consideration of the Accounting Council's advice for this FRS.

The Accounting Council's Advice to the FRC to issue FRS 100

Introduction

- 1 This report provides an overview of the main issues which have been considered by the Accounting Council in advising the Financial Reporting Council (FRC) to issue FRS 100 *Application of Financial Reporting Requirements*. The FRC, in accordance with the Statutory Instrument *Statutory Auditors (Amendment of Companies Act 2006 and Delegation of Functions etc) Order 2012* (SI 2012/1741), is the prescribed body for issuing accounting standards in the UK. *The Foreword to Accounting Standards* sets out the application of accounting standards in the Republic of Ireland.
- 2 In accordance with *FRC Codes and Standards: procedures*, any proposal to issue, amend or withdraw a code or standard is put to the FRC with the full advice of the relevant Councils and/or the Codes & Standards Committee. Ordinarily, the FRC will only reject the advice put to it where:
 - it is apparent that a significant group of stakeholders has not been adequately consulted;
 - the necessary assessment of the impact of the proposal has not been completed, including an analysis of costs and benefits;
 - insufficient consideration has been given to the timing or cost of implementation; or
 - the cumulative impact of a number of proposals would make the adoption of an otherwise satisfactory proposal inappropriate.
- 3 The FRC has established the Accounting Council as the relevant Council to assist it in the setting of accounting standards.

Advice

- 4 The Accounting Council is advising the FRC to issue:

FRS 100 *Application of Financial Reporting Requirements*; and

FRS 101 *Reduced Disclosure Framework*.
- 5 FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* completes the new suite of financial reporting standards. The Accounting Council will provide its advice to the FRC on FRS 102 in that standard.

Background

- 6 Accounting standards were formerly developed by the Accounting Standards Board (ASB). The ASB commenced its project to update accounting standards in 2002; Appendix III provides a history of the previous consultations and a summary of how the overall proposals have developed.¹³

¹³ References in this section and Appendix III are made to the FRC, ASB or Accounting Council, as appropriate in terms of the time period and context of the reference.

- 7 The ASB (and subsequently the Accounting Council) gave careful consideration to the project's objective and intended effects during its consultations on updating accounting standards. In developing the requirements in this FRS, FRS 101 and FRS 102, the overriding objective 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.

- 8 In achieving this objective, the ASB decided (and the Accounting Council subsequently agreed) that it should provide succinct financial reporting standards that:
- have consistency with global accounting standards through the application of an IFRS-based solution unless an alternative clearly better meets the overriding objective;
 - reflect up-to-date thinking and developments in the way businesses operate and the transactions they undertake;
 - balance consistent principles for accounting by all UK and Republic of Ireland entities with practical solutions, based on size, complexity, public interest and users' information needs;
 - promote efficiency within groups; and
 - are cost-effective to apply.
- 9 The requirements in this FRS were principally consulted on in two exposure drafts; FRED 43 *Application of Financial Reporting Requirements* issued in October 2010, and FRED 46 *Application of Financial Reporting Requirements* (revised) issued in January 2012.

A differential financial reporting system and the elimination of 'public accountability'

- 10 In the early stages of developing this FRS, the ASB consulted on whether to introduce a differential financial reporting system. A differential system requires an entity to apply specified accounting standards as prescribed based on the size, nature or other differentiating feature of the entity. FRED 43 set out proposals for a differential financial reporting system based on three tiers of entities using public accountability and size as differentiators. The proposals in FRED 43 would have extended the application of EU-adopted IFRS to those entities with public accountability¹⁴. Whilst there was some support for a differential financial reporting system, entities that would be required to apply EU-adopted IFRS did not support the proposal, principally on the basis of costs and benefits.
- 11 The ASB gave careful consideration to the concerns raised and concluded that public accountability (and therefore the differential financial reporting system) could be eliminated if it were to extend the proposals by including additional requirements in FRED 44 *Financial Reporting Standard for Medium-sized Entities* for entities with publicly traded debt or equity, and for financial institutions, so that the proposals in that FRED applied to a broader group of entities. FRED 44 proposed to replace the majority of extant financial reporting standards with a single standard based on the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs). As a

¹⁴ FRED 43 defined an entity as having public accountability if:

- (a) as at the reporting date, its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
- (b) as one of its primary businesses, it holds assets in a fiduciary capacity for a broad group of outsiders and/or it is a deposit taking entity for a broad group of outsiders. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds or investment banks.

consequence, FRED 44 was revised and FRED 48 issued, which addressed a broader group of entities including those previously considered to have public accountability, single entities listed on a regulated market, entities listed on a non-regulated market and additional disclosure requirements for financial instruments held by financial institutions.

- 12 Respondents to FRED 46 supported the removal of the public accountability criteria and the Accounting Council agreed to advise the FRC not to extend the application of EU-adopted IFRS beyond that already required by company law or other legislation or regulation.
- 13 Once this FRS becomes effective, there will be five FRSs applicable in the UK and Republic of Ireland:
 - FRS 100 *Application of Financial Reporting Requirements*;
 - FRS 101 *Reduced Disclosure Framework*;
 - FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*;
 - *Financial Reporting Standard for Smaller Entities* (effective January 2015) (the FRSSE); and
 - FRS 27 *Life assurance*.¹⁵

FRS 101 *Reduced disclosure framework*

- 14 FRS 101 was developed in response to concerns that arose from earlier consultations (see Appendix III). Respondents to those consultations (and particularly the 2009 Policy Proposal) noted that a move to the IFRS for SMEs for subsidiaries of entities that apply EU-adopted IFRS would require recognition and measurement differences to be monitored and maintained at group level, and yet the alternative of a move to EU-adopted IFRS would increase disclosure in comparison to current accounting standards. The ASB therefore developed a reduced disclosure framework to address these concerns.
- 15 Further details regarding the development of FRS 101 are located in the Accounting Council's Advice to the FRC accompanying that FRS.

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

- 16 FRS 102 will replace the majority of current accounting standards applicable in the UK and Republic of Ireland with a single FRS based on the IFRS for SMEs. Details of the development of FRS 102 will be set out in the Accounting Council's Advice to the FRC accompanying that FRS. One member of the Accounting Council considers that the level of input from users does not constitute adequate consultation, despite extensive efforts at outreach, and holds an alternative view on aspects of the Accounting Council's expected advice on FRS 102.

The Financial Reporting Standard for Smaller Entities (FRSSE)

- 17 The Accounting Council advises the FRC (consistent with FREDs 43 and 46) to retain the FRSSE for a period following the application of FRS 102, with a view to consulting again on the FRSSE's future in the short to medium term.

¹⁵ At the time of approving this advice consideration is being given to updating FRS 27.

- 18 The eligibility criteria for applying the FRSSE are set out in paragraph 8 of the FRSSE. One of the criteria is that the entity must be 'small' as defined in company law. Turnover and balance sheet total should be measured in accordance with the FRSSE for the purposes of establishing whether the entity is 'small'; the measurement of turnover and balance sheet total in accordance with FRS 101 or FRS 102 need not be considered.
- 19 The Accounting Council also advises the FRC to undertake further consultation to address the implications for the FRSSE of:
- (a) the European Commission proposals arising from its review of the EU Accounting Directives (an initial proposed Directive was issued in October 2011); and
 - (b) the Directive on annual accounts of micro-entities that was approved by the European Council in February 2012.
- 20 The amendments to the FRSSE set out in this FRS arise as a consequence of withdrawing current accounting standards.

Statements of Recommended Practice (SORPs)

- 21 In its 2009 Policy Proposal, the ASB's recommendation was to remove almost all of the SORPs. Respondents to the Policy Proposal questioned this and many noted that SORPs contribute to improving the quality of financial reporting in the UK. Instead FRED 43 proposed to streamline the number of SORPs in existence. Respondents to FRED 43 were supportive of this revised proposal. The decision, however, to eliminate the definition of public accountability and thereby broaden the scope of entities eligible to apply FRS 102 had a consequential impact on the SORPs (for example, pension funds would no longer be required to apply EU-adopted IFRS), so the ASB amended its proposals again in FRED 48.
- 22 The proposals in FRED 48 received support and the Accounting Council is now advising the FRC that they be taken forward, as follows:

SORP	Accounting Council Advice
Accounting for insurance business	A separate consultation will be undertaken on the accounting for insurance
Accounting for oil & gas	The SORP-making body has indicated that they do not believe that it would make sense to update the 2001 SORP
Authorised funds	Update to be based on FRS 102
Banking segments	Withdraw
Charities	Update to be based on FRS 102
Financial reports of pension funds	Update for consistency with FRS 102 to supplement Section 34 of FRS 102
Further and higher education	Update to be based on FRS 102
Investment companies	Update to be based on FRS 102
Leasing	Withdraw
Limited liability partnerships	Update to be based on FRS 102
Registered social housing providers	Update to be based on FRS 102

- 23 In response to a request for clarification as to the role of the SORPs, the Accounting Council is advising the FRC that a reference to the application of SORPs be included in this FRS and in Section 10 *Accounting policies, estimates and errors* of FRS 102, to note that they are a source of guidance on accounting policies.

Clarification of equivalence

- 24 FRS 101 and FRS 102 permit certain exemptions from disclosures, which are in some cases subject to equivalent disclosures being included in the consolidated financial statements of the group in which the entity is consolidated. Clarification on interpreting the meaning of the term equivalence is included in Application Guidance I of this FRS.

Withdrawn publications

- 25 Paragraph 14 of this FRS sets out the withdrawal of current accounting standards. For the avoidance of doubt, the Accounting Council (and FRC) will also not proceed with developing the following superseded Financial Reporting Exposure Drafts (FREDs):

Leases: Implementation of a new approach

IASB Exposure draft of a proposed IFRS for small and medium-sized entities (Issued April 2007)

FRED 22 *Revision of FRS 3 Reporting financial performance*

FRED 28 *Inventories: Construction and service contracts*

FRED 29 *Property, plant and equipment: Borrowing costs*

FRED 32 *Disposal of non-current assets and presentation of discontinued operations*

FRED 36 *Business combinations*

FRED 37 *Intangible assets (IAS 38) and FRED 38 Impairment of assets (IAS 36)*

FRED 39 *Amendments to FRS 12 Provisions, contingent liabilities and contingent assets and FRS 17 Retirement benefits*

FRED 43 *Application of Financial Reporting Requirements*

FRED 44 *The Financial Reporting Standards for Medium-sized Entities*

FRED 45 *The Financial Reporting Standard for Public Benefit Entities*

Effective date and early application

- 26 In reassessing the effective date as proposed in FREDs 46 to 48, the Accounting Council supports the previous view of the ASB that application should be deferred to January 2015 for the following reasons:

- (a) although the revisions to the ASB's original proposals should ease the transition, an 18 month period between the publication of the final standard and effective date should be retained as there are significant changes to the accounting requirements for financial instruments; and
- (b) the effective date should take into consideration the process of updating the SORPs.

- 27 This decision was reassessed by the Accounting Council when it considered the responses to FREDs 46 to 48. It decided that it was not necessary to have the same early application provisions for FRS 101, FRS 102 and the FRSSE (effective January 2015) and that specific requirements relating to early application should be set out separately in each standard.

Approval of this advice

28 This advice to the FRC was approved by the nine members of the Accounting Council on 25 October 2012. The Accounting Council is comprised of the following members:

Roger Marshall (Chair of the Accounting Council)

Nick Anderson

Dr Richard Barker

Edward Beale

Peter Elwin

Ken Lever

Robert Overend

Andy Simmonds

Pauline Wallace

Appendix I: Glossary

Act	The Companies Act 2006.
date of transition	The beginning of the earliest period for which an entity presents full comparative information under a given standard in its first financial statements that comply with that standard.
EU-adopted IFRS	IFRS that have been adopted in the European Union in accordance with EU Regulation 1606/2002.
financial institution	<p>Any of the following:</p> <ul style="list-style-type: none"> (a) a bank which is: <ul style="list-style-type: none"> (i) a firm with a Part IV permission¹⁶ which includes accepting deposits and: <ul style="list-style-type: none"> (a) which is a credit institution; or (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 a credit union; (ii) an EEA bank which is a full credit institution; (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; (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; (d) custodian bank, broker-dealer or stockbroker; (e) an entity that undertakes the business of effecting or carrying out insurance contracts, including general and life assurance entities; (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; (g) an investment trust, Irish Investment Company¹⁷, venture capital trust, mutual fund, exchange traded fund, unit trust, open-ended investment company (OEIC); (h) a retirement benefit plan; or

¹⁶ As defined in section 40(4) of the Financial Services and Markets Act 2000 or references to equivalent provisions of any successor legislation.

¹⁷ An Irish Investment Company is a corporate vehicle as defined by section 47(3) of the Companies (Amendment) Act 1983 and paragraph 58 of the Schedule to the Companies (Amendment) Act 1986, and regulated by the Central Bank of Ireland.

	<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>
FRS 100	FRS 100 <i>Application of Financial Reporting Requirements</i>
FRS 101	FRS 101 <i>Reduced Disclosure Framework</i>
FRS 102	FRS 102 <i>The Financial Reporting Standard applicable in the UK and Republic of Ireland</i>
FRSSE	The extant version ¹⁸ of the <i>Financial Reporting Standard for Smaller Entities</i>
IAS Regulation	EU Regulation 1606/2002.
IFRS	Standards and interpretations issued (or adopted) by the International Accounting Standards Board (IASB). They comprise: <ul style="list-style-type: none"> (a) International Financial Reporting Standards; (b) International Accounting Standards; and (c) Interpretations developed by the IFRS Interpretations Committee (the Interpretations Committee) or the former Standing Interpretations Committee (SIC).
individual financial statements	<p>The accounts that are required to be prepared by an entity in accordance with the Act or relevant legislation, for example:</p> <ul style="list-style-type: none"> (a) 'individual accounts', as set out in section 394 of the Act; (b) 'statement of accounts', as set out in section 132 of the Charities Act 2011; or (c) 'individual accounts', as set out in section 72A of the Building Societies Act 1986. <p>Separate financial statements are included in the meaning of this term.</p>
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.
qualifying entity (for the purposes of FRS 100 and FRS 101)	<p>A member of a group where the parent of that group prepares publicly available consolidated financial statements which are intended to give a true and fair view (of the assets, liabilities, financial position and profit or loss) and that member is included in the consolidation¹⁹.</p> <p>A charity may not be a qualifying entity.</p>
Regulations	The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

¹⁸ At the date of issue of this FRS, the extant version of the FRSSE is the *Financial Reporting Standard for Smaller Entities (effective April 2008)*. The *Financial Reporting Standard for Smaller Entities (effective January 2015)* will replace it as the extant standard from 1 January 2015.

¹⁹ As set out in section 474(1) of the Act.

Statement of Recommended Practice (SORP)	An extant Statement of Recommended Practice developed in accordance with <i>SORPs: Policy and Code of Practice</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.
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Appendix II: Note on Legal Requirements

Introduction

- A2.1 This appendix provides an overview of how the requirements in FRS 100 address United Kingdom company law requirements. It is therefore written from the perspective of a company to which the Companies Act 2006 applies²⁰. Appendix IV contains the Republic of Ireland legal references.
- A2.2 Many entities that are not constituted as companies apply accounting standards promulgated by the FRC for the purposes of preparing financial statements that present a true and fair view. A brief consideration of the legal framework for some other entities can be found at A2.20 and A2.21. For those entities that are within the scope of a SORP, the relevant SORP may provide more details on the legal framework.
- A2.3 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).

Applicable accounting framework

- A2.4 Group accounts of certain parent entities (those with securities admitted for trading on a regulated market in an EU Member State) are required by Article 4 of EU Regulation 1606/2002 (IAS Regulation) to be prepared in accordance with EU-adopted IFRS.
- A2.5 All other entities, except those that are eligible to apply the *Financial Reporting Standard for Smaller Entities* (effective January 2015) (FRSSE), must apply either FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, EU-adopted IFRS or, for financial statements that are the individual financial statements of a qualifying entity, FRS 101 *Reduced Disclosure Framework*²¹.
- A2.6 Section 395(1) of the Act states:
 “A company’s individual accounts may be prepared—
 (a) in accordance with section 396 (“Companies Act individual accounts”), or
 (b) in accordance with international accounting standards (“IAS individual accounts”).”
- Section 403(2) of the Act states:
 “The group accounts of other companies may be prepared—
 (a) in accordance with section 404 (“Companies Act group accounts”), or
 (b) in accordance with international accounting standards (“IAS group accounts”).”
- A2.7 Accounts prepared in accordance with EU-adopted IFRS are therefore within the scope of the IAS Regulation. All other accounts are classified as either ‘Companies Act individual accounts’, including those of qualifying entities applying FRS 101, or ‘Companies Act group accounts’ and are therefore required to comply with the applicable provisions of Parts 15 and 16 of the Act and with the Regulations.

²⁰ Some charities are also companies, and are therefore required to apply the requirements of both the Companies Act 2006 and the Charities Act 2011.

²¹ Under company law in the Republic of Ireland, certain companies are permitted to prepare Companies Act accounts using a financial reporting framework based on accounting standards other than those issued by the FRC. Please refer to Appendix IV for further details.

Financial reporting by small entities

A2.8 Entities that are eligible, in accordance with the Act (or by analogy), to apply the small companies regime may apply the FRSSE (which includes all relevant extracts of company law) or may elect to apply either FRS 102, EU-adopted IFRS or, for financial statements that are the individual financial statements of a qualifying entity, FRS 101. The conditions applicable to the small companies regime are contained in sections 381 to 384 of the Act. The qualifying conditions are met by a company in a year in which it does not exceed two or more of the following limits:

Turnover	£6,500,000
Balance sheet total	£3,260,000
Average number of employees	50

A2.9 For any company, other than a newly incorporated company, to qualify as small, the qualifying conditions must be met for two consecutive years²². A company will cease to qualify as small if it fails to meet the qualifying conditions for two consecutive years.

A2.10 Certain companies are excluded by section 384 of the Act from the small companies regime and may not apply the FRSSE²³. These companies are those that meet any of the following conditions or are part of an ineligible group, which is, or was at any time during the financial year, a group with a member meeting one of the conditions:

- (a) a public company;
- (b) a company that is an authorised insurance company, a banking company, an e-money issuer, a MiFID investment firm or a UCITS management company or a company that carries on insurance market activity;
- (c) a body corporate (other than a company) whose shares are admitted to trading on a regulated market in an EEA State; or
- (d) a person (other than a small company) who has permission under Part 4 of the Financial Services and Markets Act 2000 to carry on a regulated activity.

A2.11 A parent company shall not be treated as qualifying as a small company in relation to a financial year unless the group headed by it qualifies as a small group.

A2.12 The conditions applicable to a small group are contained in section 383 of the Act. The qualifying criteria are met by a group in a year in which it does not exceed two or more of the following limits²⁴:

Aggregate turnover	£6,500,000 net (or £7,800,000 gross)
Aggregate balance sheet total	£3,260,000 net (or £3,900,000 gross)
Aggregate number of employees	50

²² An entity will continue to qualify as small in the first financial year in which it does not meet the size criteria, if it met the qualifying conditions in the preceding year and qualified as small in relation to that year.

²³ In addition, the FRSSE is not available to companies preparing individual or group accounts in accordance with the fair value rules. The FRSSE does, however, permit revaluation of fixed assets (including investments) using the alternative accounting rules.

²⁴ 'Net' means after any set-offs and other adjustments required by Schedule 6 to the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (SI 2008/409) in the case of group accounts, and 'gross' means without those set-offs and other adjustments. A company may satisfy any relevant requirement on the basis of either the net or the gross figure.

Financial reporting by charitable companies

A2.13 Section 395(2) of the Act states that ‘the individual accounts of a company that is a charity must be Companies Act individual accounts’, and section 403(3) of the Act mirrors this for a parent company that is a charity.

Moving between IAS accounts and Companies Act accounts

A2.14 Sections 395 and 403 of the Act restrict an entity’s ability to move from preparing IAS individual accounts to preparing Companies Act individual accounts and from preparing IAS group accounts to preparing Companies Act group accounts respectively. A company or group is permitted to switch from IAS accounts to Companies Act accounts preparation:

- (a) if there is a ‘relevant change in circumstance’ (as defined in the Act); or
- (b) for financial years ending on or after 1 October 2012, for a reason other than a relevant change of circumstance, once in a five year period.²⁵

A2.15 For example, provided the condition in section 395(4A) is met, a subsidiary company which previously prepared IAS individual accounts is permitted to move to preparing Companies Act individual accounts in applying FRS 101 or FRS 102, providing it is also complying with other requirements of the Act, such as those relating to consistency of financial reporting within groups

Consistency of financial reporting within groups

A2.16 Section 407 of the Act requires that the directors of the parent company secure that individual accounts of a parent company and each of its subsidiaries²⁶ are prepared using the same financial reporting framework, except to the extent that in the directors’ opinion there are good reasons for not doing so.

In addition, consistency is not required in the following situations:

- (a) when the parent company does not prepare consolidated accounts; or
- (b) when some subsidiaries are charities (consistency is not needed between the framework used for these and for other subsidiaries).

Where the directors of a parent company prepare IAS group accounts and IAS individual accounts, there only has to be consistency across the individual financial statements of the subsidiaries.

A2.17 All companies, other than those which elect or are required to prepare IAS individual accounts in accordance with law, prepare Companies Act individual accounts.

Applicability of UK company law to entities preparing IAS accounts

A2.18 Entities that prepare IAS accounts, either voluntarily or because they are required to do so by law, only need apply certain sections of the Act as it relates to financial reporting. They are not required to comply with Schedules 1 and 6 to the Regulations (for companies and groups), nor with Schedules 2 or 3 (for banks and insurance companies). Schedules 4, 5, 7 and 8 to the Regulations are, however, still applicable.

²⁵ The Companies and Limited Liability Partnership (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012 (SI 2012/2301).

²⁶ This only applies to accounts of subsidiaries that are required to be prepared under Part 15 of the Act.

A2.19 The sections of parts 15 and 16 of the Act that contain financial reporting requirements applying to IAS accounts (as well as to Companies Act accounts) are as follows:

Section 410A	<i>Off-balance sheet arrangements;</i>
Section 411	<i>Employee numbers and costs;</i>
Section 412	<i>Directors' benefits: Remuneration;</i>
Section 413	<i>Directors' benefits: Advances, credit and guarantees;</i>
Sections 415 to 419	<i>Directors' Report;</i>
Sections 420 to 421	<i>Directors' Remuneration Report; and</i>
Section 494	<i>Services provided by auditor and associates and related remuneration</i>

Entities not subject to company law

A2.20 Many entities that may apply FRS 102 are not companies, but are nevertheless required by their governing legislation or other regulation or requirement, to prepare financial statements that present a true and fair view of the financial performance and financial position of the reporting entity. However, the FRC sets accounting standards within the framework of the Act and therefore it is the company law requirements that the FRC primarily considered when developing FRS 102. Entities preparing financial statements within other legal frameworks will need to satisfy themselves that FRS 102 does not conflict with any relevant legal obligations.

A2.21 However, the FRC notes the following:

Legislation	Overview of requirements
Building Societies Act 1986	<p>The annual accounts of a building society shall give a true and fair of the income and expenditure for the year and the balance sheet shall give a true and fair view of the state of affairs of the society at the end of the financial year.</p> <p>Regulations make further requirements about the form and content of building society accounts, which do not appear inconsistent with the requirement of FRS 102.</p>
Charity law in England and Wales: Charities Act 2011 and regulations made thereunder	<p>All charities are required to prepare accounts. The regulations require financial statements (other than cash-based receipts and payments accounts prepared by smaller charities) to present a true and fair view of the incoming resources, application of resources and the balance sheet, and to be prepared in accordance with the SORP. However company charities prepare their accounts in accordance with UK company law to give a 'true and fair view'.</p> <p>The Charities SORP 2005 requires the application of accounting standards and is compatible with the legal requirements, clarifying how they apply to accounting by charities. The SORP will be updated to reflect the requirements of FRS 102.</p> <p>UK Company law prohibits charities from preparing IAS accounts.</p>

Legislation	Overview of requirements
Charity law in Scotland: Charities and Trustee Investments Act (Scotland) 2005 and regulations made thereunder	All charities are required to prepare accounts. The regulations require financial statements (other than cash-based receipts and payments accounts prepared by smaller charities) to present a true and fair view of the incoming resources, application of resources and the balance sheet, and to be prepared in accordance with the SORP. These regulations apply equally to company charities.
Charity law in Northern Ireland: Charities Act (Northern Ireland) 2008	The Charities Act 2008 has yet to come fully into effect. The Act provides for all charities to prepare accounts. The Act provides for regulations concerning the financial statements. The financial statements other than cash-based receipts and payments accounts prepared by smaller charities are to present a true and fair view of the incoming resources, application of resources and the balance sheet. However company charities prepare their accounts in accordance with UK company law to give a 'true and fair view'.
Friendly and Industrial and Provident Societies Act 1968	Every Society shall prepare a revenue account and a balance sheet giving a true and fair view of the income and expenditure and state of affairs of the Society. FRS 102 does not appear to give rise to any legal conflicts for Societies. However, Societies often carry out activities that are regulated and may be required to comply with additional regulations on top of the legal requirements and accounting standards. Some Societies fall within the scope of SORPs, which will be updated to reflect the requirements of FRS 102.
Friendly Societies Act 1992	Every society shall prepare a balance sheet and an income and expenditure account for each financial year giving a true and fair view of the affairs of the society and its income and expenditure for the year. The Regulations ²⁷ make further requirements about the form and content of friendly society accounts, which do not appear inconsistent with the requirements of FRS 102.
The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996	The accounts of pension funds within the scope of the regulations should show a true and fair view of the transactions during the year, assets held at the end of the year and liabilities of the scheme, other than those to pay pensions and benefits. FRS 102 includes retirement benefit plans as a specialised activity.

²⁷ The Friendly Societies (Accounts and Related Provisions) Regulations 1994 (as amended).

Appendix III: Previous Consultations

History of previous consultations

- A3.1 The requirements in FRSs 100 to 102 are the outcome of a lengthy and extensive consultation. The FRC (and formerly the ASB) together with the Department for Business, Innovation and Skills have consulted on the future of accounting standards in the UK and Republic of Ireland (RoI) over a ten-year period.

Table 1 – Consultations conducted

Year	Consultation
2002	DTI ²⁸ consults on adoption of IAS Regulation
2004	Discussion Paper – Strategy for Convergence with IFRS
2005	Exposure Draft – Policy Statement: The Role of the ASB
2006	Public Meeting and Proposals for Comment
2006	Press Notice seeking views
2007	Consultation Paper – Proposed IFRS for SMEs
2009	Consultation Paper – Policy Proposal: The future of UK GAAP
2010	Request for Responses – Development of the Impact Assessment
2010	Financial Reporting Exposure Drafts 43 and 44
2011	Financial Reporting Exposure Draft 45
2012	Financial Reporting Exposure Drafts 46, 47 and 48

2004

- A3.2 In 2004 the Discussion Paper contained two key elements underpinning the proposals: firstly that UK and Republic of Ireland (RoI) accounting standards should be based on IFRS and secondly that a phased approach to the introduction of the standards should be adopted.
- A3.3 The ASB embarked on the phased approach and issued a number of standards based on IFRS. The majority of respondents agreed with a framework based on IFRS, and although supportive overall, the response to the phased approach was mixed.

2005

- A3.4 In its 2005 Exposure Draft (2005 ED) of a Policy Statement *Accounting standard-setting in a changing environment: The role of the Accounting Standards Board*, amongst other aspects of its role, the ASB identified its intention to converge with IFRS by implementing new IFRS in the UK as soon as possible. It also proposed to continue the phased approach to adopting UK accounting standards based on older IFRSs, but recognised there was little case for being more prescriptive than IFRS.

²⁸ The Department of Trade and Industry (DTI) was a United Kingdom government department which was replaced with the announcement of the creation of the Department for Business, Enterprise and Regulatory Reform and the Department for Innovation, Universities and Skills on 28 June 2007, which were themselves merged into the Department for Business, Innovation and Skills (BIS) on 6 June 2009.

- A3.5 Although the ASB had, in the 2005 ED, wanted to move the debate on to how it would seek to influence the IASB's agenda, respondents' main concern remained about convergence. In 2005, the ASB issued an exposure draft proposing the IASB's standard on Business Combinations be adopted in the UK and RoI. This exposure draft highlighted the complexity of a mixed set of UK accounting standards, with some based on IFRSs and others developed independently by the ASB. The majority of respondents continued to agree with the aim of basing UK accounting standards on IFRS, but a broader set of views on how to achieve this was emerging.
- A3.6 As time progressed the ASB formed the view that convergence by adopting certain IFRSs was not meeting the needs of its constituents, which no longer included quoted groups. The ASB was concerned about the complexity of certain IFRSs, and it noted that introducing them piecemeal created complications and anomalies within the body of current FRSs. This arose because IFRS-based standards were not an exact replacement for current FRSs and many consequential amendments were required to 'fit' each replacement IFRS-based standard into the existing body of UK FRS. The ASB agreed to continue with its convergence programme, but decided to re-examine how to achieve this.

2006

- A3.7 The ASB published revised proposals to be discussed at the 2006 public meeting. By this time the IASB had started its IFRS for SMEs project, and the ASB decided this might have a role as one of the tiers in the UK financial reporting framework. The ASB proposed a 'big bang' with new IFRS-based UK accounting standards mandatory from a single date, 1 January 2009. The ASB's proposal was for a three-tier system, with Tier 1 being EU-adopted IFRS, and the other two tiers being developed as the IASB progressed with its project on the IFRS for SMEs.
- A3.8 Those attending the public meeting supported the aim of basing UK and RoI accounting standards on IFRS and adapting them to ensure they were appropriate for the entities applying them.
- A3.9 Taking this feedback into account, later in 2006 the ASB issued a Press Notice (PN 289) seeking views on its current thinking:
- (a) All quoted and publicly accountable companies should apply EU-adopted IFRS.
 - (b) The FRSSE should be retained and extended to include medium-sized entities.
 - (c) UK subsidiaries of groups applying full IFRS should apply EU-adopted IFRS, but with reduced disclosure requirements.
 - (d) No firm decision on the remainder (Tier 2), but options included extending the FRSSE, extending full IFRS, maintaining separate UK accounting standards or some combination of these.
- A3.10 The responses were mixed, but there was agreement that whatever the solution, it should be based on IFRS and there should be different reporting tiers to ensure proportionality.

2007

- A3.11 The IASB published an exposure draft of its IFRS for SMEs in early 2007; shortly afterwards the ASB published its own consultation paper. This sought views on how the IFRS for SMEs might fit into the future UK financial reporting framework, for example whether it might be appropriate for Tier 2, with the FRSSE continuing for those eligible for the small companies' regime.

A3.12 Feedback on the IFRS for SMEs was largely positive: it would be suitable for Tier 2, it was international, it was compatible with IFRS, and it represented a significant simplification. Overall, it was seen as a workable alternative to IFRS. In addition, respondents wanted to retain the FRSSE (because it reduces the regulatory burden on smaller entities) and to give subsidiaries the option of applying the IFRS for SMEs as well as a reduced disclosure regime if applying full IFRS.

2009

A3.13 The IFRS for SMEs was published in 2009, allowing the ASB to further develop its proposals in the Consultation Paper *Policy Proposal: The future of UK GAAP*. The proposals were largely consistent with the cumulative results of the preceding consultations and included:

- (a) a move to an IFRS-based framework;
- (b) a three-tier approach;
- (c) publicly accountable entities would be Tier 1 and would apply EU-adopted IFRS;
- (d) small companies would be Tier 3 and continue to apply the FRSSE; and
- (e) other entities would be Tier 2 and should apply a UK and RoI accounting standard based on the IFRS for SMEs.

A3.14 The only significant proposal that was inconsistent with respondents' previous comments was that subsidiaries should simply apply the requirement of the tier they individually met – respondents had wanted subsidiaries to be able to take advantage of disclosure exemptions, and at that time the ASB had yet to be convinced that significant cost savings were available from a reduced disclosure framework. Taking into account the feedback received, this proposal was subsequently reversed and the reduced disclosure framework was incorporated into FREDs 43 and then 46, and it is now set out in FRS 101.

A3.15 In addition to the many useful and detailed points made, some common themes included general agreement that change was needed to UK accounting standards and that there was support for many of the changes proposed in the consultation paper.

2010 onwards

A3.16 The request for responses to aid development of the Impact Assessment focused on obtaining feedback on the expected costs, benefits and impact of the proposals subsequently set out in FREDs 43 and 44, rather than on the accounting principles. As the focus was on costs and benefits no specific question was asked about the principle of the proposed introduction of an IFRS-based framework, but nevertheless respondents commented on this: of the 32 responses received only 12.5% did not agree with the introduction of an IFRS-based framework.

A3.17 FRED 43 and 44 issued in October 2010 set out the draft suggested text for two new accounting standards that would replace the majority of extant Financial Reporting Standards (current FRS) in the UK and RoI. The ASB issued a supplementary FRED addressing specific needs of public benefit entities (FRED 45) in March 2011. The ASB then updated FREDs 43, 44 and 45, replacing them with the revised FREDs 46, 47 and 48 in January 2012, by eliminating the concept of public accountability and by introducing a number of accounting treatment options that are available in EU-adopted IFRS. The Accounting Council's advice to the FRC to issue FRSs 100 to 102 includes more discussion of the feedback received on FREDs 43 to 48 and how the proposals have been refined and developed into the standards.

How have the proposals been developed?

A3.18 As set out above, the FRC, the Accounting Council (and previously the ASB) have consulted regularly on the future of financial reporting in the UK and RoI. Over the consultations the ASB's (and the Accounting Council's) thinking has evolved based on careful consideration of the feedback at each stage. Whilst responses were sometimes mixed, there has been agreement that:

- (a) current FRS, which are a mixture of Statements of Standard Accounting Practice (SSAPs) issued by the Consultative Committee of Accounting Bodies, FRSs developed and issued by the ASB and IFRS-based standards issued by the ASB to converge with international standards, are an uncomfortable mismatch that lack strong underlying principles or cohesion; and
- (b) whatever the solution, it should be based on IFRS and there should be different reporting tiers to ensure proportionality.

A3.19 During the consultation process to date, the Accounting Council and formerly the ASB have been guided by the following principles:

- (a) The framework must be fit for purpose, so that each entity required to produce true and fair financial statements under UK and RoI law will deliver financial statements that are suited to the needs of its primary users. The Accounting Council has kept in close contact with constituent users on this point, including investors, creditor institutions and the tax authorities.
- (b) The framework must be proportionate, so that preparing entities are not unduly burdened by costs that outweigh the benefit to them and to the primary users of information in their financial statements. The FRC believes that the proposals will produce a lower cost regime, while enhancing user benefits. It has carried out a consultation stage impact assessment with input from interested parties, and will continue to assess cost-benefit issues.
- (c) The framework must be in line with UK company law. This determines which entities must produce true and fair financial statements. Exemptions within the law have generally been retained. The detailed requirements of the Companies Act 2006 are driven to a great extent by the European Accounting Directives, which are being revised²⁹.
- (d) The framework must be future-proofed, where possible. The FRC will continue to monitor the situation and has sovereignty over UK accounting standards (subject to the law). Changes to the Accounting Directives may lead to further developments, for example the European Council and European Parliament decision to permit Member States an option to treat micro-entities as a separate category of Company and exempt them from certain accounting requirements.

Summary of outreach

A3.20 During the development and throughout the consultation period of FREDs 43 to 48, the ASB undertook an extensive programme of outreach aimed at raising awareness of the proposals and to address the view (held by some) that previous consultations had not gathered sufficient evidence to support and test the assumptions made.

A3.21 As part of the outreach programme to obtain both formal and informal feedback, a series of meetings and events took place with users, including with lenders to small and medium-sized entities. Lenders noted that financial statements are an important part of their decision-making process when considering whether to provide finance and, whilst

²⁹ The EU's consultation process on review of the Accounting Directives is summarised at http://ec.europa.eu/internal_market/accounting/sme_accounting/review_directives_en.htm

a decision to provide finance is not based on financial statements alone, they provide useful information and verification to the lender.

- A3.22 Although the ASB and the Accounting Council employed their best efforts to obtain feedback from users (a constituent group historically difficult to engage with formally) it is disappointing that limited formal responses were received and the Accounting Council has not been more successful in obtaining input from users.
- A3.23 In addition, a review was made of academic research that addressed the users of the financial statements of small and medium-sized entities. The conclusion drawn from the research was that many entities requested financial statements from Companies House when considering whether to trade with another entity. The European Federation of Accountants and Auditors (EFAA) issued, in May 2011, a statement that identified the users of financial statements, noting who the users of SMEs' financial statements are and that information on the public record assists all users of financial statements of SMEs by providing, in an efficient manner, basic information that protects their rights.
- A3.24 The ASB considered that the outreach programme had gleaned information from people who would not normally submit formal responses to a consultation and provided very useful information that could be used in developing the next stage of the project. The ASB noted that whilst this information was not part of the public record, as are formal consultation responses, it could use the information to assist in developing the revised FREDs 46 to 48, supplementing information contained in responses, and would seek further comment in the next stage of its deliberations.
- A3.25 The Accounting Council continued the work of the ASB in finalising FRSs 100 to 102. The responses to FREDs 46 to 48 were analysed and discussed, and engagements were conducted to take into account the views and suggestions of all relevant associations and contacts. Respondents and outreach contacts were satisfied with FREDs 46 to 48, and many of the response letters were forthcoming in their overall praise for the proposals. A significant number of constituents anticipated cost savings arising from the application of FRS 101. Many respondents considered that FRS 102 would improve UK accounting standards, in particular by introducing requirements for accounting for financial instruments. Further they considered that the improvements will be achieved in a way that will be proportionate to the needs of users, and that once the transition phase has been overcome, it will have the effect of reducing the reporting burden on those UK companies that adopt it.

Appendix IV: Republic of Ireland (RoI) Legal References

Introduction

- A4.1 The table below outlines the provisions in the Companies Acts 1963 to 2012 and related Regulations which implement EC Accounting Directives (Irish company law), corresponding to the provisions of the UK *Companies Act 2006* (the 2006 Act) and the UK *Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008* (the 2008 Regulations) (SI 2008/410) referred to in this FRS.
- A4.2 The principal Irish companies' legislation referred to in the table below is:
- The Companies Act 1963 (1963 Act);
 - The Companies (Amendment) Act 1986 (1986 Act);
 - The Companies Act 1990 (1990 Act);
 - The Companies (Amendment) (No. 2) Act 1999 (1999 Act);
 - The European Communities (Companies: Group Accounts) Regulations 1992 – S.I. No. 201 of 1992 (Group Accounts Regulations 1992 or GAR 1992);
 - The European Communities (Credit Institutions: Accounts) Regulations 1992 – S.I. No. 294 of 1992 (Credit Institutions Regulations 1992 or CIR 1992);
 - The European Communities (Insurance Undertakings: Accounts) Regulations 1996 – S.I. No. 23 of 1996 (Insurance Undertakings Regulations 1996 or IUR 1996);
 - The European Communities (Directive 2006/46/EC) Regulations, 2009 – S.I. No. 450 of 2009.
- A4.3 Where general references are made in this FRS to the '2006 Act', 'Companies Act 2006 ('and the Regulations')', 'the Companies Act', 'the Act', 'the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008', 'the 2008 Regulations' and 'the Regulations', readers should refer, in an Irish context, to the relevant sections and paragraphs of the Irish companies' legislation listed above. Such general references are not included in the table below. References in the text to 'IAS accounts' are equivalent to 'IFRS accounts' in Irish company law.
- A4.4 The following Irish legislation is also referenced in the table below:
- The Building Societies Act 1989;
 - The Credit Union Act 1997;
 - The Central Bank Act 1971;
 - The Charities Act 2009;
 - The Industrial and Provident Societies (Amendment) Act 1978;
 - The Electoral Act 1997;
 - The Friendly Societies Acts 1896 to 1977;
 - The Friendly Societies (Amendment) Act 1977;
 - The Friendly Societies Regulations 1988 – S.I. No. 74 of 1988;
 - The Pensions Act 1990; and
 - The Occupational Pension Schemes (Disclosure of Information) Regulations 2006 – S.I. No. 301 of 2006.

Companies Act accounts under Irish company law

A4.5 Certain companies are permitted under Irish company law to prepare their Companies Act accounts under a financial reporting framework based on accounting standards other than those issued by the Financial Reporting Council (FRC) and promulgated by the Institute of Chartered Accountants in Ireland in respect of their application in the Republic of Ireland. Specifically:

- Pursuant to the Companies (Miscellaneous Provisions) Act 2009, as amended by the Companies (Amendment) Act 2012, relevant parent undertakings are permitted to prepare 'Companies Act individual accounts' and/or 'Companies Act group accounts' in accordance with US GAAP, as modified to ensure consistency with Irish company law.
- Investment companies subject to Part XIII of the Companies Act 1990 or the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 may adopt an alternative body of accounting standards, being standards which apply in the United States of America, Canada or Japan in preparing 'Companies Act individual accounts'.

Such companies, therefore, may adopt standards other than those issued by the FRC in preparing Companies Act accounts under Irish company law.

Small companies under Irish company law

A4.6 There is no equivalent to the UK *small companies regime* (see Sections 381 to 384 of the 2006 Act) in Irish company law. Section 8 of the Companies (Amendment) Act 1986 (as amended by the European Union (Accounts) Regulations 2012 (S.I. No. 304 of 2012)) defines small companies for the purposes of Irish company law. However, whilst Sections 10 and 12 provide certain exemptions for such companies in relation to their financial statements filed with the Registrar of Companies, there are no exemptions for individual or group accounts prepared for members. Under Section 8 (as amended) the qualifying conditions for a company to be treated as a small company in respect of any financial year are as follows:

- The amount of turnover for that year does not exceed €8,800,000;
- The balance sheet total for that year does not exceed €4,400,000; and
- Average number of employees does not exceed 50.

A4.7 Except for companies in their first financial year, Section 8(1)(a) provides that companies qualify to be treated as small if, in respect of that year and the financial year immediately preceding that year, the company satisfies at least two of the above criteria. Section 9 provides that where a company has qualified as small, it continues to be so qualified until it does not meet two of the above three criteria for two consecutive years. Similarly, where a company no longer qualifies as small, two consecutive years of meeting two of the three criteria are required to qualify again as small.

A4.8 The following do not qualify as small under Irish company law:

- Companies subject to the European Communities (Credit Institutions: Accounts) Regulations 1992;
- Companies subject to the European Communities (Insurance Undertakings: Accounts) Regulations 1996; and
- Private companies whose securities are admitted to trading on a regulated market.

Size exemptions from the preparation of group accounts under Irish company law

- A4.9 An Irish parent company within the scope of the European Communities (Companies: Group Accounts) Regulations 1992 is exempt from the requirement to prepare group accounts if it, together with its subsidiaries, meets the size and other criteria set out in Regulation 7 of those regulations. The size criteria in summary require that the parent and subsidiaries together meet two of the following three conditions:
- The amount of turnover for that year does not exceed €15,236,858;
 - The balance sheet total for that year does not exceed €7,618,428; and
 - Average number of employees does not exceed 250.
- A4.10 Except for the year in which a company becomes a parent undertaking, the exemption can only be availed of if two of the three conditions are met in respect of the financial year and the immediately preceding financial year.
- A4.11 Exemptions from preparing group accounts on the basis of size, in accordance with Regulation 7 of the European Communities (Companies: Group Accounts) Regulations 1992, are only available to parent companies that are private companies and are not available to parent companies subject to the European Communities (Credit Institutions: Accounts) Regulations 1992 or the European Communities (Insurance Undertakings: Accounts) Regulations 1996.

Other notes

- A4.12 The table below is intended as a reference guide to the corresponding or similar provisions in Irish company law and does not purport to be complete. Readers should note that not all Irish provisions are equivalent to the corresponding UK provisions and are advised to refer to the Irish legislation for an understanding of relevant requirements. Readers should also be aware that various sections and paragraphs referenced below have been amended by subsequent legislation and readers should ensure that they refer to such amended text where applicable.

Summary

		RoI References					
UK References		1963 Act	1986 Act	1990 Act	GAR 1992	CIR 1992	IUR 1996
Paragraph	2006 Act and the 2008 Regulations (unless otherwise stated)						
ix	'smaller entities as defined by company law'	There are no equivalent provisions in Irish company law to the UK <i>small companies regime</i> or to the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008. Small companies are defined in Section 8 of the 1986 Act. Please refer to the note above in the introduction to this table.					

FRS 100 Application Of Financial Reporting Requirements

UK References		RoI References					
Paragraph	2006 Act and the 2008 Regulations (unless otherwise stated)	1963 Act	1986 Act	1990 Act	GAR 1992	CIR 1992	IUR 1996
4(a) (Footnote 2)	'smaller entities as defined by company law'						
4(b) (Footnote 3)	Sections 395(2) and 403(3)						
4(b) (Footnote 4) and 12	Section 395(1)(a)	Section 148(2)(a)					Regulation 5(1)
4(b) (Footnote 4) and 12	Section 395(1)(b)	Section 148(2)(b)					Regulation 5(1)

There are no equivalent provisions in Irish company law to the UK *small companies regime* or to the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008. Small companies are defined in Section 8 of the 1986 Act. Please refer to the note above in the introduction to this table.

There are no directly equivalent provisions in Irish company law to Sections 395(2) and 403(3), although Sections 148(3) and 150(4) respectively of the 1963 Act do require certain categories of entities to prepare 'Companies Act individual accounts' or 'Companies Act group accounts', including those '*not trading for the acquisition of gain by members*'.

Application Guidance: The interpretation of equivalence

	UK References	RoI References						
Paragraph	2006 Act and the 2008 Regulations (unless otherwise stated)	1963 Act	1986 Act	1990 Act	GAR 1992	CIR 1992	IUR 1996	
AG1 / AG4 / AG5 / AG6 / AG9	Section 401				Regulation 9A	Regulation 8A	Regulation 12A	
AG1	Section 401(2)				Regulation 9A(3)	Regulation 8A(3)	Regulation 12A(3)	

Appendix I: Glossary

Paragraph	UK References	RoI References					
		1963 Act	1986 Act	1990 Act	GAR 1992	CIR 1992	IUR 1996
‘Financial institution’ and footnote 15	2006 Act and the 2008 Regulations (unless otherwise stated) Part IV permission; Section 40(4) of the Financial Services and Markets Act 2000						
‘Financial institution’	Section 119(1) of the Building Societies Act 1986	Section 2(1) of the Building Societies Act 1989					
‘Financial institution’	Industrial and Provident Societies Act 1965 and Credit Unions Act 1979	Credit Unions Act 1997					
‘Financial institution’	Friendly Societies Act 1992; section 7(1)(a) of the Friendly Societies Act 1974	Friendly Societies Acts 1896 to 1977					
‘Individual financial statements’	Section 394	Section 148					
‘Individual financial statements’	Section 132 of the Charities Act 2011	Section 48 of the Charities Act 2009 provides that all charities are to prepare an annual statement of accounts, the form and content of which can be prescribed by regulations of the Minister. Section 48 is, at the date of publication of this FRS, not commenced and no regulations regarding the form and content of charities’ annual statements of accounts have been published. Charity companies are required to prepare financial statements which give a true and fair view in accordance with the Companies Acts. Sections 148(3) and 150(4) of the 1963 Act require that companies “ <i>not trading for the acquisition of gain by the members</i> ” must prepare Companies Act accounts (i.e. not IFRS accounts), and this definition may apply to many Irish charity companies.					

		RoI References						
Paragraph	UK References	1963 Act	1986 Act	1990 Act	GAR 1992	CIR 1992	IUR 1996	
'Individual financial statements'	2006 Act and the 2008 Regulations (unless otherwise stated) Section 72A of the Building Societies Act 1986							
'Qualifying entity' (Footnote 18)	S474(1) of the Act				Regulation 3(1)	Paragraph 1 of part IV of the Schedule		
		Section 77 of the Building Societies Act 1989 requires the preparation of (a) an income and expenditure account giving a true and fair view of its income and expenditure for that year, (b) a balance sheet giving a true and fair view of the state of its affairs as at the end of that year, and (c) a statement of the source and application of funds giving a true and fair view of the manner in which its business has been financed and in which its financial resources have been used during that year.						

Appendix II: Note on legal requirements

		RoI References					
UK References		1963 Act	1986 Act	1990 Act	GAR 1992	CIR 1992	IUR 1996
Paragraph	2006 Act and the 2008 Regulations (unless otherwise stated)	1963 Act	1986 Act	1990 Act	GAR 1992	CIR 1992	IUR 1996
A2.1 (Footnote 19)	Charities Act 2011	Charities Act 2009, Section 48 provides that all charities are to prepare an annual statement of accounts, the form and content of which can be prescribed by regulations of the Minister. Section 48 is, at the date of publication of this FRS, not commenced and no regulations regarding the form and content of charities' annual statements of accounts have been produced. Charity companies are required to prepare financial statements which give a true and fair view in accordance with the Companies Acts. Sections 148(3) and 150(4) of the 1963 Act requires that companies ' <i>not trading for the acquisition of gain by the members</i> ' must prepare Companies Act accounts (i.e. not IFRS accounts), and this definition may apply to many Irish charity companies.					
A2.6	Section 395(1)	Section 148(2)				Regulation 5	Regulation 5
A2.6	Section 396	Section 149	Section 3			Regulation 5	Regulation 5
A2.6	Section 403(2)	Section 150(3)					
A2.6	Section 404	Section 150A and 151			Regulation 14	Regulation 7	Regulation 10
A2.7	'Parts 15 and 16 of the Act and with the Regulations'	Sections 148, 149, 150, 150A, 150C, 151, 152, 153, 156, 161D and 191	Sections 3 to 6, 16, 16A and 17 and the Schedule	Sections 41-43 and Section 63	Regulations 2 to 35 and the Schedule	Regulations 2, 5, 7, 8, 8A, 9 and 10 and the Schedule	Regulations 2, 5, 6, 7, 8, 10, 11, 12, 12A and 13 and the Schedule
		See also section 33(4) of the Companies (Amendment) (No.2) Act 1999					
A2.8	'the small companies regime' and Sections 381-384	There are no equivalent provisions in Irish company law to the UK <i>small companies regime</i> or to the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008. Small companies are defined in Section 8 of the 1986 Act. Please refer to the note above in the introduction to this table.					

		RoI References					
Paragraph	UK References	1963 Act	1986 Act	1990 Act	GAR 1992	CIR 1992	IUR 1996
A2.10	Section 384 and 'the <i>small companies regime</i> '						
A2.10	Part 4 of the FSMA 2000 (companies excluded from the <i>small companies regime</i>)						
A2.12	Section 383						
A2.12 and footnote 23	Schedule 6 of the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008						
A2.13	Sections 395(2) and 403(3)						

There are no equivalent provisions in Irish company law to the UK *small companies regime*. Section 2 of the 1986 Act sets out which companies cannot qualify as small under Section 8 of the 1986 Act and cannot, therefore, avail of the filing exemptions under Sections 10 and 12 or apply the FRSSSE in preparing their financial statements. Please refer to the note above in the introduction to this table.

There is no equivalent legislation in Ireland to the Financial Services and Markets Act 2000. There are also no equivalent provisions in Irish company law to the UK *small companies regime* or to the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008. Small companies are defined in Section 8 of the 1986 Act. Please refer to the note above in the introduction to this table.

There is no equivalent provision in Irish company law dealing with the criteria for a small parent company or a definition of small groups.

There are no equivalent provisions in Irish company law to the UK *small companies regime* or to the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008. Small companies are defined in Section 8 of the 1986 Act. Please refer to the note above in the introduction to this table.

There are no directly equivalent provisions in Irish company law to Sections 395(2) and 403(3), although Sections 148(3) and 150(4) respectively of the 1963 Act do require certain categories of companies to prepare 'Companies Act individual accounts' or 'Companies Act group accounts', including those '*not trading for the acquisition of gain by members*'.

		RoI References					
UK References		1963 Act	1986 Act	1990 Act	GAR 1992	CIR 1992	IUR 1996
Paragraph	2006 Act and the 2008 Regulations (unless otherwise stated)						
A2.14 and footnote 24	Sections 395 and 403	Sections 148(5) and 150(6) allow a company to switch from IFRS accounts to Companies Act accounts, for individual accounts and group accounts respectively, where there is a 'relevant change in circumstance'. As at the date of publication of this FRS, there are no equivalent provisions in Irish company law to sections 395(4A) and 403(5A), providing for the ability of companies to switch from IFRS accounts to Companies Act accounts every five years for reasons other than a relevant change in circumstance.					
A2.15	Section 395(4A)	As at the date of publication of this FRS, there are no equivalent provisions in Irish company law providing for the ability of companies to switch from IFRS accounts to Companies Act accounts every five years for reasons other than a relevant change in circumstance.					
A2.16	Section 407	Section 150C					
A2.16 (Footnote 25)	'Accounts of subsidiaries that are required to be prepared under Part 15 of the Act.'	Section 148				Regulation 5	Regulation 5

		RoI References					
Paragraph	UK References	1963 Act	1986 Act	1990 Act	GAR 1992	CIR 1992	IUR 1996
A2.18	<p>Entities preparing IAS accounts either voluntarily or because they are required to do so in accordance with Sections 148 (individual accounts) and 150 (group accounts) of the 1963 Act, are not required to comply with the detailed accounting requirements of the Companies Acts 1963-2012 (and related Regulations), save for certain disclosures as detailed in Section 149(A)(1)(b) and Section 150B(2) of the 1963 Act. Regulations 5(1B) and 7(5) of the CIR 1992 set out the required disclosures for the IFRS accounts of credit institutions and regulations 5(1B) and 10(5) of the IUR 1996 set out the required disclosures for the IFRS accounts of insurance undertakings.</p>						
A2.18	<p>Schedules 4, 5, 7 and 8 are still applicable to 'IAS accounts'</p>	<p>Please refer to the references to these Schedules below. Readers should refer to Sections 149(a)(1)(b) and 150B(2) of the 1963 Act as the additional disclosure requirements for IFRS accounts in UK and Irish company law are not the same in all cases.</p>					
A2.18	<p>Schedule 4 (application to IAS accounts)</p>		Section 16 and 16A		Paragraphs 18 to 22 of Part 2 of the Schedule of the Schedule	Regulation 10 and Part III of the Schedule	Paragraphs 32-36 of Part IV of the Schedule

		RoI References					
UK References		1963 Act	1986 Act	1990 Act	GAR 1992	CIR 1992	IUR 1996
Paragraph	2006 Act and the 2008 Regulations (unless otherwise stated)						
A2.18	Schedule 5 (application to IAS accounts)	Section 191	Paragraph 39(6) of Part IV of the Schedule		Paragraph 16 of Part 2 of the Schedule	Paragraph 74(4) of Part I and paragraph 1 of Part II of the Schedule	Paragraph 21(e) of Part III and paragraph 1 of Part IV of the Schedule
A2.18	Schedule 7	Sections 158	Sections 13 and 14	Section 63	Regulation 37	Regulations 11 and 11A	Regulations 14 and 14A
A2.18	Schedule 8	Section 191	Section 191 of the 1963 Act sets out the disclosure requirements with regard to directors' salaries and payments. There are no specific requirements with regard to the disclosure of directors' remuneration for quoted companies in Irish company law. However, the Listing Rules of the Irish Stock Exchange contain further requirements in this regard.				
A2.19	Various sections of Parts 15 and 16 of the Act that contain financial reporting requirements applying to 'IAS accounts'	Companies that prepare 'IFRS accounts' in accordance with Sections 149 (individual accounts) and 150 (group accounts) of the 1963 Act, are not required to comply with the detailed accounting requirements of the Companies Acts 1963-2012 (and related Regulations), save for certain disclosures as detailed in Section 149(A)(1)(b) and Section 150B(2). Regulations 5(1B) and 7(5) of the CIR 1992 set out the required disclosures for the IFRS accounts of credit institutions and regulations 5(1B) and 10(5) of the IUR 1996 set out the required disclosures for the IFRS accounts of insurance undertakings.					

		RoI References						
Paragraph	UK References	1963 Act	1986 Act	1990 Act	GAR 1992	CIR 1992	IUR 1996	
A2.19	Section 410A 2006 Act and the 2008 Regulations (unless otherwise stated)	Sections 149A(1)(b)(xii) and 150B(2)(l) applying Section 7(1)(a) of SI 450 of 2009	Paragraph 36A of Part IV of the Schedule, (pursuant to Section 149A(1)(b)(xii) of the 1963 Act)			Regulation 5(1B)(l) applying paragraph 66A of Part I of the Schedule and Regulation 7(5)(l) applying Section 7A(2)(a) of Part II of the Schedule	Regulation 5(1B)(k) applying paragraph 19A of Part III of the Schedule and Regulation 10(5)(k) applying paragraph 37(a) of Part IV, of the Schedule	
A2.19	Section 411	Section 149A(1)(b)(ix) and Section 150B(2)(e)	Paragraph 42 of Part IV of the Schedule, (pursuant to Section 149A(1)(b)(ix) of the 1963 Act)		Paragraph 15 of Part 2 of the Schedule (pursuant to Section 150B(2)(e) of the 1963 Act)	Regulations 5(1B)(e) and 7(5)(e) applying paragraph 77 of Part I of the Schedule	Regulation 5(1B)(e) applying paragraph 27 of Part III of the Schedule and Regulation 10(5)(e) applying paragraph 29 of Part IV of the Schedule	

UK References		RoI References						
Paragraph	2006 Act and the 2008 Regulations (unless otherwise stated)	1963 Act	1986 Act	1990 Act	GAR 1992	CIR 1992	IUR 1996	
A2.19	Section 412	Sections 149A(1)(b)(i) and 150B(2)(a) applying Section 191	Paragraph 39(6) of Part IV of the Schedule (pursuant to Section 149A(1)(b)(i) of the 1963 Act)		Paragraph 16 of Part 2 of the Schedule (pursuant to Section 150(2)(a) of the 1963 Act)	Regulation 5(1B)(a) applying paragraph 74(4) of Part I of the Schedule and Regulation 7(5)(a) applying paragraph 4 of Part IV of the Schedule	Regulation 5(1B)(a) applying paragraph 21(e) of Part III of the Schedule and Regulation 10(5)(a) applying paragraph 30(1) of Part IV of the Schedule	
A2.19	Section 413			Sections 41 to 43				
A2.19	Sections 415-419	Section 158	Sections 13 and 14	Section 63	Regulation 37	Regulations 11 and 11A	Regulations 14 and 14A	
A2.19	Sections 420-421	Sections 26 and 46 of the Electoral Act 1997 also require disclosures in respect of political donations to be provided in the directors' report.						
A2.19	Section 494	Section 161D						
A2.21	Building Societies Act 1986	Building Societies Act 1989, Part VII, Section 77(1)						

Paragraph	UK References	RoI References						
		1963 Act	1986 Act	1990 Act	GAR 1992	CIR 1992	IUR 1996	
A2.21	Charities Act 2011 and regulations made thereunder							Section 48 of the Charities Act, 2009 provides that all charities are to prepare an annual statement of accounts, the form and content of which can be prescribed by regulations of the Minister. Section 48 is, as of the date of publication of this FRS, not commenced and no regulations regarding the form and content of charities' annual statements of accounts have been published. Charity companies are required to prepare financial statements which give a true and fair view in accordance with the Companies Acts. Sections 148(3) and 150(4) of the 1963 Act requires that companies ' <i>not trading for the acquisition of gain by the members</i> ' must prepare Companies Act accounts (i.e. not IFRS accounts) and this definition may apply to many Irish charity companies.
A2.21	Friendly and Industrial and Provident Societies Act 1968							Section 30 of part IV of the Industrial and Provident Societies (Amendment) Act, 1978; Regulation 4 of the Friendly Societies Regulations 1988, pursuant to Section 3 of the Friendly Societies (Amendment) Act 1977
A2.21 and footnote 26	Friendly Societies Act 1992 and the Friendly Societies (Accounts and Related Provisions) Regulations 1994 (as amended)							Regulation 4 of the Friendly Societies Regulations 1988, pursuant to Section 3 of the Friendly Societies (Amendment) Act 1977
A2.21	The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996							Section 56 of the Pensions Act 1990; Regulation 5 and paragraphs 1 and 2(a)(ii) of Schedule A of the Occupational Pension Schemes (Disclosure of Information) Regulations 2006

Appendix III: Previous consultations

		RoI References					
	UK References	1963 Act	1986 Act	1990 Act	GAR 1992	CIR 1992	IUR 1996
Paragraph	2006 Act and the 2008 Regulations (unless otherwise stated)						
Para. A3.11	'small companies regime'	There are no equivalent provisions in Irish company law to the UK <i>small companies regime</i> or to the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008. Small companies are defined in Section 8 of the 1986 Act. Please refer to the note above in the introduction to this table.					



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