

The Financial Reporting Council ('FRC') has released FRED 67, which sets out proposed changes to FRS102 and FRS105. Broadly, these are in the favour of companies and some may even be seen to be admissions that they got the original standard wrong, particularly in the onerous requirement for OMB directors' interest free loans to be discounted and fair value accounting for group occupied investment properties. Many disclosures are to be abolished. All of this should make the life of company accountants and external accountants/auditors a lot easier!

FRS102

The key changes proposed are as follows:-

- You now have the option to account for investment properties rented to group companies at cost less depreciation (which was always the case under old UK GAAP). However, if you move out of that property you will have to measure it at fair value at that date and at subsequent year end dates (with gains and losses taken to the Income Statement).
- The undue cost and effort 'excuse' for not valuing investment properties is abolished. They will now require a valuation at each year end date (which can be performed internally).

- Fewer intangible assets need to be separated from goodwill on a business combination.
- Small companies will not need to discount Shareholder Directors' loan accounts which are interest free or at uncommercial interest rates – these can be stated at amortised cost.
- More assets/liabilities will fall into the definition of basic financial instruments and therefore be stated at amortised cost.
- Cash flow statement must include a statement of net debt (comparative not needed) – like old UK GAAP used to.
- There is no need to disclose stock expensed to COS.
- You have to disclose opening and closing stock provisions as well as the movement in the year.
- There is no need to show a note of share capital movements in the year.

FRS102 1A is unchanged.



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FRS105

The key changes proposed are the disclosures of the following:-

- the part of the UK in which the micro-entity is registered;
- the micro-entity's registered number;
- whether the micro-entity is a public or private company, and whether it is limited by shares or guarantee (this requirement does not apply to micro-entities that are LLPs)

- the address of the micro-entity's registered office;
- off-balance sheet arrangements (as required by section 410A of the Companies Act 2006); and
- information about employee numbers (as required by section 411 of the Companies Act 2006)

You have until 30 June 2017 to email your comments on FRED 67 to the FRC (ukfrs@frc.org.uk)

The amended FRS102 and FRS105 should be ready by 31 December 2017 and will apply for accounting periods beginning on or after 1 January 2019 but with early adoption permitted.

Should you wish to talk through any of the matters raised above feel free to contact ASE's expert, Paul Byrne, below:-



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