

New UK accounting standards

The Financial Reporting Council have issued revised financial reporting standards applicable to UK companies which become mandatory for all accounting periods commencing on or after 1 January 2016.

These new accounting standards are contained within FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The standard requires an entity to disclose comparative information in respect of the previous accounting period for all amounts presented in the financial statements.

The transition procedures can be looked at as a stage of five steps:

1. determine the date of transition
2. recognise all assets and liabilities whose recognition is required by FRS 102
3. derecognise items as assets or liabilities if FRS 102 does not permit such recognition
4. reclassify items that it recognised under its previous financial reporting framework as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity under FRS 102
5. apply FRS 102 in measuring all recognised assets and liabilities.

The rules in FRS 102 are retrospective and they have to be applied as far back as the date of transition (i.e. to the opening balance sheet position at the start date of the earliest period reported in the accounts) and then to the comparative period. As a consequence, this will essentially involve the translation of two years' accounts in order to comply with the new standards.

The main areas impacted by FRS 102 include items such as investments properties, financial instruments (bank loans, directors' loan accounts), accruals for holiday pay and various disclosure requirements. The application of FRS 102 may result in a company reporting different accounting and taxable profits compare to the previous standards.

The reporting requirements within FRS 102 apply equally to small and large companies. However, small companies are able to take advantage of reduced disclosure requirements, referred to as Section 1A.

As an alternative to the application of FRS 102, certain small companies may be able to apply the provisions of FRS 105 The Financial Reporting Standards applicable to the Micro-entities Regime. This is essentially a simplified version of the new standards for smaller companies.