



March 2018

FRS 100

Application of Financial Reporting Requirements

The FRC's mission is to promote transparency and integrity in business. The FRC sets the UK Corporate Governance and Stewardship Codes and UK standards for accounting and actuarial work; monitors and takes action to promote the quality of corporate reporting; and operates independent enforcement arrangements for accountants and actuaries. As the Competent Authority for audit in the UK the FRC sets auditing and ethical standards and monitors and enforces audit quality.

The FRC does not accept any liability to any party for any loss, damage or costs howsoever arising, whether directly or indirectly, whether in contract, tort or otherwise from any action or decision taken (or not taken) as a result of any person relying on or otherwise using this document or arising from any omission from it.

© The Financial Reporting Council Limited 2018
The Financial Reporting Council Limited is a company limited by guarantee.
Registered in England number 2486368. Registered Office:
8th Floor, 125 London Wall, London, EC2Y 5AS.



Financial Reporting Council

March 2018

FRS 100

**Application of Financial Reporting
Requirements**

FRS 100 *Application of Financial Reporting Requirements* is an accounting standard. It is issued by the Financial Reporting Council, as a prescribed body, in respect of its application in the United Kingdom and the Republic of Ireland.

Contents

	Page
Overview	3
FRS 100 <i>Application of Financial Reporting Requirements</i>	5
Application Guidance	
The Interpretation of Equivalence	9
Appendices	
I Glossary	12
II Note on legal requirements	14
III Republic of Ireland legal references	19
Approval by the FRC	29
Basis for Conclusions	
FRS 100 <i>Application of Financial Reporting Requirements</i>	30

Overview

- (i) 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.

FRS 100 Application of Financial Reporting Requirements

- (ii) 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:
 - (a) If the financial statements are those of an entity that is eligible to apply FRS 105, 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 FRS 105, or of an entity that is eligible to apply FRS 105 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.
- (iii) FRS 101 sets out an optional 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.
- (iv) 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 FRS 105.
- (v) FRS 105 sets out the financial reporting requirements for micro-entities, as defined in law, choosing to apply the micro-entities regime.

Organisation of FRS 100

- (vi) Terms defined in the Glossary (Appendix I) are in **bold type** the first time they appear in FRS 100.
- (vii) This edition of FRS 100 issued in March 2018 updates the edition of FRS 100 issued in September 2015 for the following:
 - (a) *Triennial review 2017 amendments* issued in December 2017; and
 - (b) some minor typographical or presentational corrections.

¹ Under company law in the Republic of Ireland, certain entities are permitted to prepare 'Companies Act financial statements' under a financial reporting framework based on accounting standards other than those issued by the FRC. Please refer to Appendix III *Republic of Ireland legal references* for further details.

FRS 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.
- 3 [Deleted]

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 **FRS 105**², 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 FRS 105, or of an entity that is eligible to apply FRS 105 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 FRS 102, **SORPs** will apply in the circumstances set out in those SORPs.
- 6 When a SORP applies, an entity, other than a **small entity** applying the small entities regime in FRS 102, shall state in its financial statements the title of the SORP and whether its financial statements have been prepared in accordance with the SORP's provisions that are currently in effect⁶. In the event of a departure from those provisions, the entity shall give a brief description of how the financial statements depart from the recommended practice set out in the SORP, which shall include:

² The eligibility criteria for applying FRS 105 are set out in legislation and FRS 105. In establishing whether the eligibility criteria have been met, turnover and balance sheet total shall be measured in accordance with FRS 105; 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 entities are permitted to prepare 'Companies Act financial statements' under a financial reporting framework based on accounting standards other than those issued by the FRC. Please refer to Appendix III *Republic of Ireland legal references* 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, FRS 102 or FRS 105 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).

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.

- (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.

A small entity applying the small entities regime in FRS 102 is encouraged to provide these disclosures.

- 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 or FRS 102, 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 unless it is a small entity applying the small entities regime in FRS 102, in which case it is encouraged to include a statement of compliance in the notes to the financial statements⁷.

Date from which effective and transitional arrangements

- 10 An entity shall apply this FRS for accounting periods beginning on or after 1 January 2016. Early application of this FRS is permitted, providing an entity also applies the edition of FRS 101, FRS 102 and FRS 105 effective for accounting periods beginning on or after 1 January 2016 and is subject to the early application provisions set out in those standards. An entity choosing not to apply these amendments to accounting periods beginning before 1 January 2016 shall not adopt the associated amendments made to FRS 101, FRS 102 nor FRS 105 to accounting periods beginning before 1 January 2016. If an entity applies this FRS before 1 January 2016 it shall disclose that fact, unless the entity is a micro-entity or a small entity. A small entity is encouraged to provide this disclosure.
- 10A In December 2017 amendments were made to this FRS as a result of the triennial review 2017. An entity shall apply the amendments to this FRS as set out in the *Triennial review 2017 amendments* for accounting periods beginning on or after 1 January 2019. Early application is permitted provided that all the amendments to this FRS are applied at the same time.

⁷ Irish small entities are required to include a statement of compliance.

- 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 in 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 in the EU including the relevant appendices except for the requirement of paragraphs 6 and 21 to present an opening statement of financial position at the date of transition; 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 FRS 105 shall apply the transitional arrangements set out in that 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.⁸ 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.

⁸ Further relevant information can be found at paragraph A2.14 of Appendix II *Note on legal requirements*.

Withdrawal of previous accounting standards

- 14 Other than as noted in paragraph 15A, all previous SSAPs, FRSs and UITF Abstracts⁹ were superseded on the early application of this FRS, and withdrawn for accounting periods beginning on or after 1 January 2015.
- 15 The following statements were also withdrawn:
Statement of Principles for Financial Reporting;
Statement of Principles for Financial Reporting – Interpretation for public benefit entities;
Reporting Statement: Retirement Benefits – Disclosures;
Reporting Statement: Preliminary announcements; and
Reporting Statement: Half-yearly financial reports.
- 15A The *Financial Reporting Standard for Smaller Entities* (effective January 2015) (FRSSE) is superseded on the early application of the amendments set out in *Amendments to FRS 100* (and the related amendments to other accounting standards, particularly FRS 102 and FRS 105) issued in July 2015 and the early application of *The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015* (SI 2015/980), and is withdrawn for accounting periods beginning on or after 1 January 2016.

⁹ The list of SSAPs, FRSs and UITF Abstracts withdrawn is included in earlier editions of this FRS, which are available on the FRC website.

Application Guidance

The Interpretation of Equivalence

This application guidance is an integral part of this FRS.

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. The exemption is conditional on the company and all of its subsidiaries being included in consolidated financial statements for a larger group drawn up to the same date, or an earlier date in the same financial year, and those financial statements must be drawn up:
- (a) in accordance with, or in a manner that is equivalent to, the **Accounting Directive** (Section 401(2)(b)(i) and (ii));
 - (b) in accordance with EU-adopted IFRS (Section 401(2)(b)(iii)); or
 - (c) in accordance with accounting standards which are equivalent to EU-adopted IFRS, as determined in accordance with the EU mechanism (see paragraph AG7) (Section 401(2)(b)(iv)).
- AG2 FRS 101 and FRS 102 permit certain exemptions from disclosures, but those exemptions are in some cases subject to **equivalent** disclosures being included in the consolidated financial statements of the group in which the entity is consolidated. FRS 102 also permits an alternative measurement option for certain share-based payment transactions provided an equivalent basis is used.
- AG3 This Application Guidance provides guidance on interpreting the meaning of equivalence in the circumstances set out above.

Section 401 of the Companies Act 2006

- AG4 Use of the exemption in section 401(2)(b)(ii) 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 drawn up in accordance with the Accounting Directive. 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(2)(b)(ii) of the Act does not mean compliance with every detail of the Accounting 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 Accounting Directive, it is necessary to consider whether they meet the basic requirements of the Accounting Directive; in particular the requirement to give a true and fair view, without implying strict conformity with each and every provision. A 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 the exemptions in section 401(2)(b) and adopting the principle in paragraph AG5 in relation to section 401(2)(b)(ii) are that consolidated financial statements of the higher parent will meet the exemption or the test of equivalence in the Accounting Directive if they are intended to give a true and fair view and:

- (a) are prepared in accordance 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; or
- (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 other GAAPs or the IFRS for SMEs should be assessed for equivalence with the Accounting Directive based on the particular facts, including the similarities to and differences from the Accounting Directive.

AG7 A mechanism to determine the equivalence of the Generally Accepted Accounting Principles (GAAP) from third countries was established in 2007. Subsequently, the European Commission has identified as equivalent to IFRS the following:

GAAP	Applicable from
GAAP of Japan	1 January 2009
GAAP of the United States of America	1 January 2009
GAAP of the People's Republic of China	1 January 2012
GAAP of Canada	1 January 2012
GAAP of the Republic of Korea	1 January 2012

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 April 2016. For reporting periods beginning on or after 1 April 2016, in relation to GAAP of the Republic of India, equivalence should be assessed on the basis of the particular facts.

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, or in relation to intra-group balances, where those intra-group balances have been eliminated on consolidation. 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.

Appendix I Glossary

This appendix is an integral part of this FRS.

Accounting Directive	Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013
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.
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>
FRS 105	FRS 105 <i>The Financial Reporting Standard applicable to the Micro-entities Regime</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	The accounts that are required to be prepared by an entity in accordance with the Act or relevant legislation, for example: <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>
qualifying entity (for the purposes of FRS 100 and FRS 101)	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 consolidation ¹⁰ . A charity shall not be a qualifying entity.

¹⁰ As set out in section 474(1) of the Act.

small entity	<p>A small entity is:</p> <ul style="list-style-type: none"> (a) a company meeting the definition of a small company as set out in section 382 or 383 of the Act¹¹ and not excluded from the small companies regime by section 384; (b) an LLP qualifying as small and not excluded from the small LLPs regime, as set out in LLP Regulations; or (c) any other entity that would have met the criteria in (a) had it been a company incorporated under company law.
Statement of Recommended Practice (SORP)	<p>An extant Statement of Recommended Practice developed in accordance with <i>Policy on Developing Statements of Recommended Practice (SORPs)</i>. SORPs recommend accounting practices for specialised industries or sectors. They supplement accounting standards and other legal and regulatory requirements in the light of the special factors prevailing or transactions undertaken in a particular industry or sector.</p>

¹¹ Irish small entities (including partnerships that are required to comply with Part 6 of the Companies Act 2014, by virtue of the European Communities (Accounts) Regulations 1993 (as amended)) shall refer to sections 280A and 280B of the Companies Act 2014.

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 applies¹². Appendix III discusses 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 and choose to apply FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*, 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*¹³.
- 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

¹² Some charities are also companies, and are therefore required to apply the requirements of both the Companies Act 2006 and the Charities Act 2011.

¹³ Under company law in the Republic of Ireland, certain entities are permitted to prepare ‘Companies Act financial statements’ under a financial reporting framework based on accounting standards other than those issued by the FRC. Please refer to Appendix III for further details.

'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.

Financial reporting by small entities

A2.8 *The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008* (SI 2008/409) set out the legal framework for both the micro-entities regime and the small companies regime, with the eligibility criteria for both set out in Part 15 of the Act. FRS 105 and FRS 102 contain notes on legal requirements applicable to these regimes.

A2.9 [Deleted]

A2.10 [Deleted]

A2.11 [Deleted]

A2.12 [Deleted]

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.¹⁴

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 subsidiaries¹⁵ 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

¹⁴ *The Companies and Limited Liability Partnership (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012* (SI 2012/2301)

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

- (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.

- 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 (in some cases the requirements only apply to companies meeting certain criteria):

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 414A to 414D	<i>Strategic Report;</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 view 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 (FRS 102) is compatible with the legal requirements, clarifying how they apply to accounting by charities applying FRS 102.</p> <p>UK company law prohibits charities from preparing IAS accounts.</p>
Charity law in Scotland: Charities and Trustee Investments Act (Scotland) 2005 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. These regulations apply equally to company charities.</p>
Charity law in Northern Ireland: Charities Act (Northern Ireland) 2008 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, expenditure of resources and the balance sheet, and to be prepared in accordance with FRS 102 and the SORP.</p> <p>Company charities prepare their accounts in accordance with UK company law to give a 'true and fair view'.</p>

Legislation	Overview of requirements
Co-operative and Community Benefit Societies Act 2014	<p>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.</p> <p>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 reflect the requirements of FRS 102.</p>
Friendly Societies Act 1992	<p>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.</p> <p>The Regulations¹⁶ make further requirements about the form and content of friendly society accounts, which do not appear inconsistent with the requirements of FRS 102.</p>
The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996	<p>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.</p> <p>FRS 102 includes retirement benefit plans as a specialised activity.</p>

¹⁶ *The Friendly Societies (Accounts and Related Provisions) Regulations 1994 (as amended)*

Appendix III

Republic of Ireland legal references

Introduction

A3.1 The table below outlines the provisions in the Companies Act 2014 corresponding to the provisions of the UK Companies Act 2006 (the Act) and the UK Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations) (SI 2008/410) referred to in this FRS, unless the UK legal reference in this FRS is already footnoted with an Irish reference, or written separately in an Irish context. References to the Companies Act 2014 in this FRS, including in this appendix, are to the Companies Act 2014, as amended by the Companies (Accounting) Act 2017 and the Companies (Amendment) Act 2017.

Company law is structured differently in the two jurisdictions. The Companies Act 2014 consists of 26¹⁷ 'Parts' such that:

- Parts 1 to 14 (along with the relevant Schedules) apply to private companies limited by shares (LTDs);
- Parts 16 to 24 cover the other types of companies under the Companies Act 2014 – eg designated activity companies (DACs), public limited companies (PLCs), and companies limited by guarantee (CLGs); and
- Parts 15, 25 and 26 cover Functions of the Registrar and of Regulatory and Advisory Bodies; Miscellaneous provisions; and reports on Payments to Governments, respectively.

The provisions of Parts 1 to 14 also apply to the other types of companies, unless disapplied or modified by the relevant Part (eg Part 16 for DACs). References in the text of this FRS, including in the table below, are to the primary source of requirements in Parts 1 to 14 of, and the relevant Schedules to, the Companies Act 2014 as pertaining to a private company limited by shares. For other company types, reference should be made to the relevant Part of the Companies Act 2014 as applicable.

A3.2 General references are made in this FRS to UK legislation such as the 'Companies Act 2006', 'the Act', 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410)', 'the Regulations', 'The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (SI 2008/409)', 'The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980)', 'The Companies and Limited Liability Partnership (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012 (SI 2012/2301)' and 'The Small Companies (Micro-entities' Accounts) Regulations 2013 (SI 2013/3008). In an Irish context reference should be made to the relevant sections and paragraphs of Irish company law. Such general references are not dealt with in the table below. References in the text to 'IAS accounts' are equivalent to 'IFRS financial statements' in Irish company law.

For the purposes of the table below, where general references are made in the text of this FRS to Schedules to the Regulations, the approach taken is that the corresponding Schedule to the Companies Act 2014 is referenced. For example, a reference to Schedule 1 to the Regulations would correspond to a reference to Schedule 3 to the Companies Act 2014 (Accounting principles, form and content of entity financial statements).

¹⁷ For information, the Companies (Statutory Audits) Bill 2017 proposes the insertion of a new Part 27 to Companies Act 2014 dealing with statutory audit. This Bill is due to be enacted during 2018.

Where reference is made in this Appendix to Schedule 3 to the Companies Act 2014, Irish entities applying the Credit Institutions Regulations 2015 (the European Union (Credit Institutions: Financial Statements) Regulations 2015 (S.I. No. 266 of 2015)) or the Insurance Undertakings Regulations 2015 (as amended) (the European Union (Insurance Undertakings: Financial Statements) Regulations 2015 (S.I. No. 262 of 2015), as amended by the European Union (Insurance Undertakings: Financial Statements) (Amendment) Regulations 2016 (S.I. No. 213 of 2016)) should read the references as referring to the corresponding paragraphs in those regulations where applicable. The requirements of Schedule 3 to the Companies Act 2014 are not necessarily the same as those contained in the Credit Institutions Regulations 2015 or in the Insurance Undertakings Regulations 2015 (as amended) in all cases. References should be made to the specific requirement as appropriate.

A3.3 The following Irish legislation is also referenced in the table below:

- The Building Societies Act, 1989;
- The Charities Act 2009;
- The Industrial and Provident Societies (Amendment) Act, 1978;
- 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 financial statements under Irish company law

A3.4 Certain entities are permitted under Irish company law to prepare their Companies Act financial statements under a financial reporting framework based on accounting standards other than those issued by the Financial Reporting Council (FRC). Specifically, and subject to certain conditions:

- Pursuant to section 279 of the Companies Act 2014, relevant holding companies are permitted to prepare 'Companies Act entity financial statements' and/or 'Companies Act group financial statements' in accordance with US GAAP, as modified to ensure consistency with Irish company law.
- Investment companies subject to Part 24 of the Companies Act 2014 or the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No. 352 of 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 entity or group financial statements' or 'Companies Act entity financial statements' respectively.

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

Other notes

Applicability of Irish company law to entities preparing EU-adopted IFRS ('IFRS') financial statements

A3.5 Paragraphs A2.18 and A2.19 provide information regarding the applicability of UK company law to entities preparing IAS accounts.

Irish companies that prepare IFRS financial statements, either voluntarily or because they are required to do so by law, are not required to comply with the financial reporting requirements of the Companies Act 2014, except as provided for in sections 292 and 295 of the Companies Act 2014. The provisions of these sections shall also apply to the IFRS financial statements of credit institutions and to the IFRS financial statements of insurance undertakings except to the extent that they are disapplied or modified by the Credit Institutions Regulations 2015 or the Insurance Undertakings Regulations 2015 (as amended) respectively.

The sections of the Companies Act 2014 that contain the financial reporting requirements applying to IFRS financial statements are contained primarily in Part 6 of the Companies Act 2014. IFRS financial statements are not required to comply with the provisions of Schedules 3, 3A, 3B, 4 and 4A, as applicable; however, while such provisions may not be legally required, the disclosure requirements of IFRS may contain similar requirements.

Limited Liability Partnerships

A3.6 There are a number of references in this FRS to Limited Liability Partnerships (LLPs) and legislation relating thereto. There is no such equivalent legislation in Ireland, however, certain Irish partnerships are required to comply with Part 6 of the Companies Act 2014 by virtue of the European Communities (Accounts) Regulations 1993 (as amended).

Other

A3.7 The following tables are intended as a reference guide to the corresponding or similar provisions in Irish law and do not purport to be complete. As such, it may be necessary to make reference to other Irish law as appropriate. It should be noted too that not all Irish legal provisions are equivalent to the corresponding UK legal provisions and reference should be made to Irish law for an understanding of the relevant requirements. It should also be noted that various sections and paragraphs referenced may have been amended by legislation subsequent to the issuing of this FRS, and reference should be made to such amended text where applicable.

FRS 100 *Application of Financial Reporting Requirements*

	UK references	RoI references	
Paragraph	Act and the Regulations (unless otherwise stated)	Companies Act 2014	Other legislative reference
4(b) (Footnote 4)	Sections 395(2) and 403(3)	Sections 290(5) and 293(5) respectively require a company or a group 'not trading for the acquisition of gain by its members' to prepare Companies Act entity financial statements or Companies Act group financial statements.	
4(b) (Footnote 5) and 12	Section 395(1)(a)	Sections 290(3)(a), 290(4)(a)	
4(b) (Footnote 5) and 12	Section 395(1)(b)	Sections 290(3)(b), 290(4)(b)	

Application Guidance *The Interpretation of Equivalence*

	UK references	RoI references	
Paragraph	Act and the Regulations (unless otherwise stated)	Companies Act 2014	Other legislative reference
AG1 / AG9	Section 401	Section 300	
AG1	Section 401(2)(b)(i) and (ii)	Section 300(4)(b)(i) and (ii)	
AG1	Section 401(2)(b)(iii)	Section 300(4)(b)(iii)	
AG1	Section 401(2)(b)(iv)	Section 300(4)(b)(iv)	
AG4, AG5 and AG6	Section 401(2)(b)(ii)	Section 300(4)(b)(ii)	
AG6	Section 401(2)(b)	Section 300(4)(b)	

Appendix I Glossary

	UK references	Ireland references	
Paragraph	Act and the Regulations (unless otherwise stated)	Companies Act 2014	Other legislative reference
'individual financial statements'	Section 394	Section 290	
'individual financial statements'	Section 132 of the Charities Act 2011		Section 48 of the Charities Act 2009 provides that certain charities are to prepare an annual statement of accounts, the form and content of which can be prescribed by Regulations of the Minister. At the date of publication of this FRS, 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 Act. Sections 290(5) and 293(5) of the Companies Act 2014 respectively require that a company or a group 'not trading for the acquisition of gain by its members' must prepare Companies Act financial statements (ie not IFRS financial statements), and this provision may apply to many Irish charity companies.

	UK references	RoI references	
Paragraph	Act and the Regulations (unless otherwise stated)	Companies Act 2014	Other legislative reference
'individual financial statements'	Section 72A of the Building Societies Act 1986		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, (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, and also requires (d) that the annual accounts shall also contain, whether in the form of notes or otherwise, such supplementary information as is required by or under that Act.
'qualifying entity' (Footnote 9)	Section 474(1) of the Act	Section 274(5)	
'small entity'	LLP Regulations	Refer to A3.6 in the Introduction to this Appendix.	

Appendix II *Note on legal requirements*

	UK references	RoI references	
Paragraph	Act and the Regulations (unless otherwise stated)	Companies Act 2014	Other legislative reference
A2.1 (Footnote 12)	Charities Act 2011		Section 48 of the Charities Act 2009 provides that certain charities are to prepare an annual statement of accounts, the form and content of which can be prescribed by Regulations of the Minister. At the date of publication of this FRS, 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 Act. Sections 290(5) and 293(5) of the Companies Act 2014 respectively require that a company or a group 'not trading for the acquisition of gain by its members' must prepare Companies Act financial statements (ie not IFRS financial statements), and this provision may apply to many Irish charity companies.
A2.6	Section 395(1)	Sections 290(3), 290(4)	
A2.6	Section 396	Section 291	
A2.6	Section 403(2)	Sections 293(3), 293(4)	
A2.6	Section 404	Section 294	
A2.7	Parts 15 and 16 of the Act	Part 6 of the Companies Act 2014	
A2.8	Part 15 of the Act	Part 6 of the Companies Act 2014	

	UK references	RoI references	
Paragraph	Act and the Regulations (unless otherwise stated)	Companies Act 2014	Other legislative reference
A2.13	Sections 395(2) and 403(3)	Sections 290(5) and 293(5) respectively require a company or a group 'not trading for the acquisition of gain by its members' to prepare Companies Act entity financial statements or Companies Act group financial statements.	
A2.14	Sections 395 and 403	Sections 290 and 293	
A2.15	Section 395(4A)	Section 290(6A)	
A2.16	Section 407	Section 296	
A2.16 (Footnote 15)	'... accounts of subsidiaries that are required to be prepared under Part 15 of the Act'	'...financial statements of subsidiaries that are required to be prepared under the Companies Act 2014'	
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.'	Refer to A3.5 in the Introduction to this Appendix.	

	UK references	RoI references	
Paragraph	Act and the Regulations (unless otherwise stated)	Companies Act 2014	Other legislative reference
A2.19	<p>'The sections of parts 15 and 16 of the Act that contain financial reporting requirements applying to 'IAS accounts.....'</p> <p>Section 410A Section 411 Section 412 Section 413 Sections 414A to 414D Sections 415 to 419 Sections 420 to 421 Section 494</p>	Refer to A3.5 in the Introduction to this Appendix.	
A2.21	Building Societies Act 1986		Building Societies Act, 1989
A2.21	Charities Act 2011 and regulations made thereunder		<p>Section 48 of the Charities Act 2009 provides that certain charities are to prepare an annual statement of accounts, the form and content of which can be prescribed by Regulations of the Minister. At the date of publication of this FRS, 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 Act.</p> <p>Sections 290(5) and 293(5) of the Companies Act 2014 respectively require that a company or a group 'not trading for the acquisition of gain by its members' must prepare Companies Act financial statements (ie not IFRS financial statements), and this provision may apply to many Irish charity companies.</p>

	UK references	Rol references	
Paragraph	Act and the Regulations (unless otherwise stated)	Companies Act 2014	Other legislative reference
A2.21	Co-operative and Community Benefit Societies Act 2014		Section 30 of Part IV of the Industrial and Provident Societies (Amendment) Act, 1978; Regulations 4 and 5 of the Friendly Societies Regulations, 1988, pursuant to Section 3 of the Friendly Societies (Amendment) Act, 1977
A2.21 and footnote 16	Friendly Societies Act 1992 and the Friendly Societies (Accounts and Related Provisions) Regulations 1994 (as amended)		Regulations 4 and 5 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

Approval by the FRC

FRS 100 *Application of Financial Reporting Requirements* was approved for issue by the Financial Reporting Council on 1 November 2012.

Amendments to FRS 100 Application of Financial Reporting Requirements was approved for issue by the Financial Reporting Council on 1 July 2015.

Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Triennial review 2017 – Incremental improvements and clarifications was approved for issue by the Financial Reporting Council on 6 December 2017.

Basis for Conclusions

FRS 100 Application of Financial Reporting Requirements

This Basis for Conclusions¹⁸ accompanies, but is not part of, FRS 100 Application of Financial Reporting Requirements and summarises the main issues considered by the Financial Reporting Council (FRC) in developing FRS 100.

Feedback from a number of exposure drafts and consultation documents has been considered in the development of FRS 100 (see Table 1 at the end of this Basis for Conclusions). Unless otherwise stated, respondents to the consultations supported the proposals made; detailed feedback statements to all consultations are available on the FRC website.

The effective dates and any transitional arrangements for FRS 100, and any amendments to it, are set out in the FRS.

Objective

- 1 In developing financial reporting standards, the overriding objective of the FRC is to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users' information needs.
- 2 In achieving this objective, the FRC aims to provide succinct financial reporting standards that:
 - (a) have consistency with global accounting standards through the application of an IFRS-based solution unless an alternative clearly better meets the overriding objective;
 - (b) balance improvement, through reflecting up-to-date thinking and developments in the way businesses operate and the transactions they undertake, with stability;
 - (c) balance consistent principles for accounting by all UK and Republic of Ireland entities with proportionate and practical solutions, based on size, complexity, public interest and users' information needs;
 - (d) promote efficiency within groups; and
 - (e) are cost-effective to apply.

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

- 3 In the early stages of developing this FRS, a differential financial reporting system was proposed based on three tiers of entities using public accountability and size as differentiators. The proposals would have extended the application of EU-adopted IFRS to those entities with public accountability¹⁹. 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.
- 4 It was concluded that public accountability (and therefore the differential financial reporting system) could be eliminated if the proposals were extended to include additional

¹⁸ This Basis for Conclusions replaces the Accounting Council's Advice included in previous editions of FRS 100.

¹⁹ It was proposed that an entity had 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.

requirements for entities with publicly traded debt or equity, and for financial institutions. As a result, it was then proposed that the majority of extant financial reporting standards were replaced with a single standard based on the *International Financial Reporting Standard for Small and Medium-sized Entities* (IFRS for SMEs) (what is now FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*), which would apply to a broader group of entities.

- 5 Respondents supported the removal of the public accountability criteria and the proposal not to extend the application of EU-adopted IFRS beyond that already required by company law or other legislation or regulation.

Applicable financial reporting standards

- 6 For accounting periods beginning on or after 1 January 2015, but before 1 January 2016, the following FRSs were applicable in the UK and Republic of Ireland:
 - (a) FRS 100 *Application of Financial Reporting Requirements*;
 - (b) FRS 101 *Reduced Disclosure Framework*;
 - (c) FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*;
 - (d) FRS 103 *Insurance Contracts*;
 - (e) FRS 104 *Interim Financial Reporting*; and
 - (f) The Financial Reporting Standard for Smaller Entities (effective January 2015) (the FRSSE).
- 7 For accounting periods beginning on or after 1 January 2016, the following FRSs are applicable in the UK and Republic of Ireland²⁰:
 - (a) FRS 100 *Application of Financial Reporting Requirements*;
 - (b) FRS 101 *Reduced Disclosure Framework*;
 - (c) FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*;
 - (d) FRS 103 *Insurance Contracts*;
 - (e) FRS 104 *Interim Financial Reporting*; and
 - (f) FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*.

FRS 101 Reduced Disclosure Framework

- 8 FRS 101 sets out an optional reduced disclosure framework which addresses the financial reporting requirements for individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS. Disclosure exemptions are available to a qualifying entity in its individual financial statements.
- 9 FRS 101 was developed in response to concerns that arose from earlier consultations 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.

²⁰ For micro-entities in the Republic of Ireland, FRS 105 was effective from 1 January 2017.

- 10 A qualifying entity may apply the reduced disclosure framework regardless of the financial reporting framework applied in the consolidated financial statements of the group.
- 11 Further details regarding the development of FRS 101 are set out in the Basis for Conclusions accompanying that FRS.

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

- 12 FRS 102 replaced accounting standards applicable in the UK and Republic of Ireland with a single FRS developed from the IFRS for SMEs. FRS 102 applies to general-purpose financial statements and the financial reporting of entities including those that are not constituted as companies and those that are not profit-oriented. FRS 102 applies to the financial statements of entities that are not applying EU-adopted IFRS, FRS 101 or FRS 105.
- 13 Further details on the development of FRS 102 are set out in the Basis for Conclusions accompanying that FRS.

FRS 103 *Insurance Contracts*

- 14 FRS 103 and the accompanying non-mandatory implementation guidance consolidate existing financial reporting requirements and guidance for insurance contracts and are based on IFRS 4 *Insurance Contracts* extant in 2013 (except to the extent that it was amended by IFRS 13 *Fair Value Measurement*), the requirements of FRS 27 *Life Insurance* and elements of the Association of British Insurers' *Statement of Recommended Practice on Accounting for Insurance Business* (the ABI SORP).
- 15 An entity applying FRS 102, whether or not it is an insurance company, shall also apply FRS 103 to insurance contracts (including reinsurance contracts) that it issues and reinsurance contracts that it holds, and to other financial instruments that it issues with a discretionary participation feature.
- 16 Further details on the development of FRS 103 are set out in the Basis for Conclusions accompanying that FRS.

FRS 104 *Interim Financial Reporting*

- 17 FRS 104 replaced the Statement *Half-yearly financial reports*. FRS 104 is based on the interim financial reporting requirements set out in IAS 34 *Interim Financial Reporting* and is intended for use in the preparation of interim reports by entities that apply FRS 102 when preparing their annual financial statements. Entities applying FRS 101 to prepare the annual financial statements may also use FRS 104 as a basis for their interim financial reports.
- 18 FRS 104 does not require any entity to prepare an interim report, nor does it change the extent to which law or regulation may require the preparation of such a report.
- 19 Further details on the development of FRS 104 are set out in the Basis for Conclusions accompanying that FRS.

FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*

- 20 In November 2013, *The Small Companies (Micro-entities' Accounts) Regulations 2013* (SI 2013/3008) were made which amended *The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008* (SI 2008/409). The amendment introduced a

new optional reporting framework for companies that meet the qualifying criteria of a micro-entity. FRS 105 was developed in response to this change of UK company law.

- 21 FRS 105 is based on FRS 102, but its accounting requirements are adapted to satisfy the legal requirements applicable to micro-entities and to reflect the simpler nature and smaller size of micro-entities.
- 22 The application of the micro-entities regime is optional; however, a micro-entity that chooses to prepare its financial statements in accordance with the micro-entities regime is required to apply FRS 105. A company that qualifies for this regime, but chooses not to apply it, is required to apply another financial reporting standard.
- 23 Further details on the development of FRS 105 are set out in the Basis for Conclusions accompanying that FRS.

The *Financial Reporting Standard for Smaller Entities (FRSSE)*

- 24 Consistent with earlier proposals, the FRSSE was updated and retained for an initial period following the application of FRS 102, with a view to consulting again on its future in the short to medium term.
- 25 The EU Accounting Directive (Directive 2013/34/EU) was implemented in the UK in 2015 (and in the Republic of Ireland in 2017). In doing so, changes were made to company law to reflect new legal requirements and to take advantage of new options that became available.
- 26 The majority of respondents supported proposals to withdraw the FRSSE and replace it with a new section (Section 1A *Small Entities*) in FRS 102, effective for accounting periods beginning on or after 1 January 2016²¹, and for Section 1A to set out the presentation and disclosure requirements applicable to small entities, whilst the recognition and measurement requirements of the remainder of FRS 102 would apply.
- 27 Eligibility for the small companies regime is set out in company law. Section 1A applies to companies eligible for the small companies regime, LLPs eligible for the small LLPs regime and any other entity that would have met the criteria for the small companies regime had they been companies.
- 28 Further details on the development of Section 1A of FRS 102 are set out in the Basis for Conclusions accompanying that FRS.

Statements of Recommended Practice (SORPs)

- 29 In earlier proposals, it was recommended that almost all SORPs be withdrawn. Respondents questioned this, with many noting that SORPs contribute to improving the quality of financial reporting in the UK. An alternative approach was proposed, and respondents supported the proposal to streamline the number of SORPs in issue resulting in SORPs being either updated for consistency with FRS 102 or withdrawn as follows:

SORP	Accounting Council's Advice
Accounting for insurance business	A separate consultation was undertaken and the SORP was consequently withdrawn
Accounting for oil & gas	Withdrawn

²¹ For small entities in the Republic of Ireland, Section 1A was effective from 1 January 2017.

SORP	Accounting Council's Advice
Authorised funds	Updated for consistency with FRS 102
Banking segments	Withdrawn
Charities	Updated for consistency with FRS 102
Financial reports of pension funds	Updated for consistency with FRS 102 to supplement Section 34 of FRS 102
Further and higher education	Updated for consistency with FRS 102
Investment companies	Updated for consistency with FRS 102
Leasing	Withdrawn
Limited liability partnerships	Updated for consistency with FRS 102
Registered social housing providers	Updated for consistency with FRS 102

- 30 In response to a request for clarification as to the role of the SORPs, reference to the application of SORPs is 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. In December 2017 a reference was also added to Section 1 *Scope* of FRS 102.

Reduced disclosures – clarification of equivalence

- 31 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 the *Application Guidance: The Interpretation of Equivalence* to this FRS.
- 32 Amendments were made to the *Application Guidance* in July 2015 as a result of the implementation of the EU Accounting Directive (Directive 2013/34/EU).
- 33 Alongside these amendments, clarification was given relating to the meaning of equivalent disclosures included in the consolidated financial statements in relation to intra-group balances eliminated on consolidation. Provided that relevant disclosures have been made in the consolidated financial statements, the exemption is permitted when intra-group balances have been eliminated on consolidation. This is subject to any disclosures that are required by law.

Withdrawn publications

- 34 Paragraphs 14 and 15A of this FRS sets out the accounting standards which were withdrawn for accounting periods beginning on or after 1 January 2015. Paragraph 15 sets out the statements that were also withdrawn.

Table 1**Exposure drafts and consultation documents**

Feedback to the following exposure drafts and consultation documents has been considered in the development of FRS 100.

More detailed information on the early development of the new UK and Republic of Ireland accounting standards can be found on the FRC website.

Exposure draft		Date of issue	Finalised as	Date of issue
FRED 43	<i>Application of Financial Reporting Requirements</i>	Oct 2010	FRS 100 <i>Application of Financial Reporting Requirements</i>	Nov 2012
FRED 46	<i>Application of Financial Reporting Requirements (revised)</i>	Jan 2012		
Consultation Document	<i>Accounting standards for small entities – Implementation of the EU Accounting Directive</i>	Sep 2014	Amendments to FRS 100 <i>Application of Financial Reporting Requirements</i>	Jul 2015
FRED 60	<i>Draft amendments to FRS 100 Application of Financial Reporting Requirements and FRS 101 Reduced Disclosure Framework</i>	Feb 2015		
Request for information	<i>Request for comments on the implementation of FRS 102 in order to inform the future development of FRS 102</i>	Mar 2016	Amendments to FRS 102 <i>The Financial Reporting Standard applicable in the UK and Republic of Ireland – Triennial review 2017 – Incremental improvements and clarifications</i>	Dec 2017
FRED 67	<i>Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Triennial review 2017 – Incremental improvements and clarifications</i>	Mar 2017		



Further copies, £15.00 (post-free) can be obtained from:

FRC Publications

Lexis House
30 Farringdon Street
London
EC4A 4HH

Tel: **0330 161 1234**

Email: customer.services@lexisnexis.co.uk

Or order online at: www.frcpublications.com

ISBN 978-0-7545-5577-3

