Standard

Accounting and Reporting

Financial Reporting Council

November 2012

FRS 101
Reduced Disclosure Framework

Disclosure exemptions from EU-adopted IFRS for qualifying entities

The FRC is responsible for promoting high quality corporate governance and reporting to foster investment. We set the UK Corporate Governance and Stewardship Codes as well as UK standards for accounting, auditing and actuarial work. We represent UK interests in international standard-setting. We also monitor and take action to promote the quality of corporate reporting and auditing. We operate independent disciplinary arrangements for accountants and actuaries; and oversee the regulatory activities of the accountancy and actuarial professional bodies.

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FRS 101
Reduced Disclosure Framework

Disclosure exemptions from EU-adopted IFRS for qualifying entities

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FRS 101 *Reduced Disclosure Framework* 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.

Contents

Summary

(i) In 2012 and 2013 the Financial Reporting Council (FRC) revised financial reporting standards in the United Kingdom and Republic of Ireland. The revisions 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:

(a) have consistency with international accounting standards through the application of an IFRS-based solution unless an alternative clearly better meets the overriding objective;

(b) reflect up-to-date thinking and developments in the way entities operate and the transactions they undertake;

(c) 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;

(d) promote efficiency within groups; and

(e) 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 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. It is envisaged that the provision of these disclosure exemptions could result in cost savings in the preparation of financial statements of subsidiaries and ultimate parents, without reducing the quality of financial reporting.

(vii) Disclosure exemptions are available to a qualifying entity, as defined in the glossary to this FRS, in its individual financial statements (but not in consolidated financial statements which it is required or voluntarily chooses to prepare). However, a qualifying entity which is a financial institution is not exempt from the disclosure requirements of IFRS 7 *Financial Instruments: Disclosures*, IFRS 13 *Fair Value Measurement* to the extent that they apply to financial instruments, and paragraphs 134 to 136 of IAS 1 *Presentation of Financial Statements*.

(viii) A qualifying entity may apply the reduced disclosure framework regardless of whether the financial reporting framework applied in the consolidated financial statements of the group is based on standards and interpretations issued (or adopted) by the International Accounting Standards Board.

(ix) Financial statements prepared by a qualifying entity in accordance with this FRS are not IAS Accounts as defined in section 395(1)(b) of the Companies Act 2006 (the Act) but are Companies Act accounts. Therefore the entity must comply with the Act and the Regulations and where applicable make amendments to EU-adopted IFRS requirements.

(x) Disclosure exemptions are also available to qualifying entities applying the recognition and measurement principles of FRS 102; the relevant financial reporting requirements and disclosure exemptions are set out in that FRS.

Financial Reporting Standard 101
Reduced Disclosure Framework
Disclosure exemptions from EU-adopted IFRS for qualifying entities

Objective

1 The objective of this Financial Reporting Standard (FRS) is to set out the disclosure exemptions (a reduced disclosure framework) for the individual financial statements of subsidiaries, including intermediate parents, and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

Scope

2 This FRS may be applied to the individual financial statements of a qualifying entity, as defined in the glossary, that are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss for a period.

3 A qualifying entity which is required to prepare consolidated financial statements (for example, if the entity is required by section 399 of the Act to prepare group accounts, and is not entitled to any of the exemptions in sections 400 to 402 of the Act), or which voluntarily chooses to do so, may not apply this FRS in its consolidated financial statements.

Abbreviations and definitions

4 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** and **Regulations** are defined in the glossary included as Appendix I to this FRS.

Reduced disclosures for subsidiaries and ultimate parents

5 A qualifying entity applying this FRS to its individual financial statements may take advantage of the disclosure exemptions in paragraphs 8 to 9, in accordance with paragraphs 6 to 7, provided that:

(a) Its shareholders have been notified in writing about, and do not object to, the use of the disclosure exemptions. Objections to the use of the disclosure exemptions may be served on the qualifying entity, in accordance with reasonable specified timeframes and format requirements, by a shareholder that is the immediate parent of the entity, or by a shareholder or shareholders holding in aggregate 5% or more of the total allotted shares in the entity or more than half of the allotted shares in the entity that are not held by the immediate parent.

(b) It otherwise applies as its financial reporting framework the recognition, measurement and disclosure requirements of EU-adopted IFRS, but makes amendments to EU-adopted IFRS requirements where necessary in order to comply with the Act and the Regulations, given that the financial statements that it prepares are Companies Act accounts as defined in section 395(1)(a) of the Act, not IAS accounts as defined in section 395(1)(b) of the Act. Application Guidance I to this FRS sets out the necessary amendments.

(c) It discloses in the notes to its financial statements:

(i) a brief narrative summary of the disclosure exemptions adopted; and

(ii) the name of the parent[1] of the group in whose consolidated financial statements its financial statements are consolidated, and from where those financial statements may be obtained.

6 A qualifying entity which is not a financial institution may take advantage in its individual financial statements of the disclosure exemptions set out in paragraphs 8 to 9 of this FRS. In relation to paragraphs 8(d) and (e), for financial liabilities that are held at fair value that are part of a trading portfolio or are derivatives, the qualifying entity can take advantage of those exemptions. Where the qualifying entity has financial instruments held at fair value subject to the requirements of section 36(4) of Schedule 1 to the Regulations, it must apply the disclosure requirements[2] of paragraphs 8(e), 9(c), 10, 11, 17, 20(a)(i), 25, 26, 28, 29, 30, 31 of IFRS 7 and paragraph 93 of IFRS 13 to those financial instruments held at fair value. For accounting periods beginning before 1 January 2013, paragraph 93 of IFRS 13 should be replaced with paragraphs 27, 27A and 27B of IFRS 7.

7 A qualifying entity which is a financial institution may take advantage in its individual financial statements of the disclosure exemptions set out in paragraphs 8 to 9 of this FRS, except for:

(a) the disclosure exemptions from IFRS 7 *Financial Instruments: Disclosures* (see paragraph 8(d));

(b) the disclosure exemptions from IFRS 13 *Fair Value Measurement* (see paragraph 8(e)) to the extent that they apply to financial instruments[3]; and

(c) the disclosure exemptions from paragraphs 134 to 136 of IAS 1 *Presentation of Financial Statements* (see paragraph 8(g)).

8 A qualifying entity may take advantage of the following disclosure exemptions, from when the relevant standard is applied[4]:

(a) The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 *Share-based Payment*, provided that for a qualifying entity that is:

(i) a subsidiary, the share-based payment arrangement concerns equity instruments of another group entity;

(ii) an ultimate parent, the share-based payment arrangement concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the group;

and, in both cases, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

(b) The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 *Business Combinations* provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

(c) The requirements of paragraph 33(c) of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

[1] The parent identified in the definition of the term ‘qualifying entity’ (see the glossary included as Appendix I to this FRS).

[2] Note, however, that the requirements in paragraph 6 are applicable to public benefit entities and other entities that are a qualifying entity, not just to companies that are a qualifying entity.

[3] A qualifying entity that is a financial institution may take advantage in its individual financial statements of the disclosure exemptions from IFRS 13 (see paragraph 8(e)) to the extent that they apply to assets and liabilities other than financial instruments.

[4] Where a paragraph within a given standard cross-refers to an exempted paragraph listed above, the qualifying entity is permitted to still take the exemption.

(d) The requirements of IFRS 7 *Financial Instruments: Disclosures*, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

(e) The requirements of paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement*, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

(f) The requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:

(i) paragraph 79(a)(iv) of IAS 1;

(ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;

(iii) paragraph 118(e) of IAS 38 *Intangible Assets*;

(iv) paragraphs 76 and 79(d) of IAS 40 *Investment Property*; and

(v) paragraph 50 of IAS 41 *Agriculture*.

(g) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*.

For accounting periods beginning before 1 January 2013, paragraphs 38A, 38B, 38C, 38D, 40A, 40B, 40C and 40D of IAS 1 (effective 1 January 2013) should be replaced with paragraphs 39 and 40 of IAS 1 (effective 1 January 2009).

(h) The requirements of IAS 7 *Statement of Cash Flows*.

(i) The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

(j) The requirements of paragraph 17 of IAS 24 *Related Party Disclosures*.

(k) The requirements in IAS 24 *Related Party Disclosures* to disclose 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.

(l) The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

9 Reference should be made to the Application Guidance to FRS 100 in deciding whether the consolidated financial statements of the group provide disclosures which are equivalent to the requirements of EU-adopted IFRS, from which relief is provided in paragraph 8 of this FRS.

Statement of compliance

10 Where a qualifying entity prepares its financial statements in accordance with FRS 101, it shall state in the notes to the financial statements: '*These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework*.' The financial statements of such an entity do not comply with all of the requirements of EU-adopted IFRSs and should not therefore contain the unreserved statement of compliance set out in paragraph 3 of IFRS 1 *First-time Adoption of International Financial Reporting Standards* and paragraph 16 of IAS 1 *Presentation of Financial Statements*.

Date from which effective and transitional arrangements

11 A qualifying entity may apply this FRS for accounting periods beginning on or after 1 January 2015. Early application of this FRS is permitted. If an entity applies this FRS before 1 January 2015 it shall disclose that fact.

Application Guidance: Amendments to International Financial Reporting Standards as Adopted in the European Union for Compliance with the Act and the Regulations

This application guidance forms an integral part of FRS 101

AG1 In accordance with the Act, an entity may prepare Companies Act accounts or IAS accounts. A qualifying entity which applies FRS 101 prepares Companies Act accounts. This Application Guidance to FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations (deleted text is struck through and inserted text is underlined):

(a) Paragraph D16 of IFRS 1 *First-time Adoption of International Financial Reporting Standards* is amended as follows:

If a subsidiary becomes a first-time adopter later than its parent, the subsidiary shall, in its financial statements, measure its assets and liabilities at either:

(a) the carrying amounts that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary; or

(b) the carrying amounts required by the rest of this IFRS, based on the subsidiary's date of transition to IFRSs. These carrying amounts could differ from those described in (a):

(i) when the exemptions in this IFRS result in measurements that depend on the date of transition to IFRSs;

(ii) when the accounting policies used in the subsidiary's financial statements differ from those in the consolidated financial statements. For example, the subsidiary may use as its accounting policy the cost model in IAS 16 *Property, Plant and Equipment*, whereas the group may use the revaluation model.

A similar election is available to an associate or joint venture that becomes a first-time adopter later than an entity that has significant influence or joint control over it.

A qualifying entity that applies this provision must ensure that its assets and liabilities are measured in compliance with FRS 101.

(b) Paragraph D17 of IFRS 1 *First-time Adoption of International Financial Reporting Standards* is amended as follows:

However, if an entity becomes a first-time adopter later than its subsidiary (or associate or joint venture) the entity shall, in its consolidated financial statements, measure the assets and liabilities of the subsidiary (or associate or joint venture) at the same carrying amounts as in the financial statements of the subsidiary (or associate or joint venture), after adjusting for consolidation and equity accounting adjustments and for the effects of the business combination in which the entity acquired the subsidiary. Similarly, if a parent becomes a first-time adopter for its separate financial statements earlier or later than for its consolidated financial statements, it shall measure its assets and liabilities at the same amounts in both financial statements, except for consolidation adjustments.

A qualifying entity that applies this provision must ensure that its assets and liabilities are measured in compliance with FRS 101.

(c) Paragraph 34 of IFRS 3 *Business Combinations* is amended as follows:

Occasionally, an acquirer will make a bargain purchase, which is a business combination in which the amount in paragraph 32(b) exceeds the aggregate of the amounts specified in paragraph 32(a). If that excess remains after applying the requirements in paragraph 36, the acquirer shall recognise and separately disclose the resulting ~~gain in profit or loss~~ excess on the face of the statement of financial position on the acquisition date, immediately below goodwill, and followed by a subtotal of the net amount of goodwill and the excess. The ~~gain~~ excess shall be attributed to the acquirer. Subsequently, the excess up to the fair value of the non-monetary assets acquired shall be recognised in profit or loss in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to be benefited.

(d) Paragraphs 39 and 40 of IFRS 3 *Business Combinations* are amended as follows:

39 ~~The consideration the acquirer transfers in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement (see paragraph 37). The acquirer shall recognise the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree.~~ When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the acquirer shall include the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

40 ~~The acquirer shall classify an obligation to pay contingent consideration as a liability or as equity on the basis of the definitions of an equity instrument and a financial liability in paragraph 11 of IAS 32 Financial Instruments: Presentation, or other applicable IFRSs. The acquirer shall classify as an asset a right to the return of previously transferred consideration if specified conditions are met. Paragraph 58 provides guidance on the subsequent accounting for contingent consideration.~~ However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination.

(e) Paragraph 58 of IFRS 3 *Business Combinations* is deleted.

(f) Without amending paragraph B63(a) of IFRS 3 *Business Combinations,* its requirement shall be read in conjunction with paragraph A2.8 of this standard.

(g) Paragraph 33 of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* is amended as follows:

An entity shall disclose:

(a) a single amount in the statement of comprehensive income comprising the total of:

(i) the post-tax profit or loss of discontinued operations and

(ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

(b) an analysis of the single amount in (a) into:

(i) the revenue, expenses and pre-tax profit or loss of discontinued operations;

(ii) the related income tax expense as required by paragraph 81(h) of IAS 12;

(iii) the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; and

(iv) the related income tax expense as required by paragraph 81(h) of IAS 12.

The analysis ~~may be~~ shall be presented in ~~the notes or in the statement of comprehensive income. If it is presented In~~ the statement of comprehensive income ~~it shall be presented~~ in a ~~section~~ column identified as relating to discontinued operations, ie separately from continuing operations; a total column shall also be presented. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (see paragraph 11).

(c) the net cash flows attributable to the operating, investing and financing activities of discontinued operations. These disclosures may be presented either in the notes or in the financial statements. These disclosures are not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (see paragraph 11).

(d) the amount of income from continuing operations and from discontinued operations attributable to owners of the parent. These disclosures ~~may be~~ are presented ~~either in the notes or~~ in the statement of comprehensive income.

(h) Paragraph 53A and corresponding footnote is inserted into IAS 1 *Presentation of Financial Statements* as follows:

Statement of financial position

Information to be presented in the statement of financial position

53A A qualifying entity shall comply with the balance sheet format requirements of the Act* instead of paragraphs 54 to 76 of IAS 1 *Presentation of Financial Statements*, unless the entity elects to apply those paragraphs and the resulting statement of financial position complies with the balance sheet format requirements of the Act.

[Footnote text]

* An entity shall apply, as required by company law, either Part 1 'General Rules and Formats' of Schedule 1 to the Regulations; Part 1 'General Rules and Formats' of Schedule 2 to the Regulations; Part 1 'General Rules and Formats' of Schedule 3 to the Regulations; or Part 1 'General Rules and Formats' of Schedule 1 to the LLP Regulations.

(i) Paragraph 81C and corresponding footnote is inserted into IAS 1 *Presentation of Financial Statements* as follows:

Information to be presented in profit or loss

81C A qualifying entity shall present the components of profit or loss in the statement of comprehensive income (in either the single statement or two statement approach) in accordance with the profit and loss account format requirements of the Act* instead of paragraphs 82 and 84 to 86 of IAS 1 *Presentation of Financial Statements*. The entity may elect to apply the requirements of those paragraphs so long as the resulting statement of comprehensive income complies with the profit and loss account format requirements of the Act.

[Footnote text]

* An entity shall apply, as required by company law, either Part 1 'General Rules and Formats' of Schedule 1 to the Regulations; Part 1 'General Rules and Formats' of Schedule 2 to the Regulations; Part 1 'General Rules and

Formats' of Schedule 3 to the Regulations; or Part 1 'General Rules and Formats' of Schedule 1 to the LLP Regulations.

(j) Paragraph 87 of IAS 1 *Presentation of Financial Statements* is amended and paragraph 87A is inserted into IAS 1 as follows:

87 ~~An entity shall not present any items of income or expense as extraordinary items, in the statement(s) presenting profit or loss and other comprehensive or in the notes.~~Ordinary activities are any activities which are undertaken by a reporting entity as part of its business and such related activities in which the reporting entity engages in furtherance of, incidental to, or arising from, these activities. Ordinary activities include any effects on the reporting entity of any event in the various environments in which it operates, including the political, regulatory, economic and geographical environments, irrespective of the frequency or unusual nature of the events.

87A Extraordinary items are material items possessing a high degree of abnormality which arise from events or transactions that fall outside the ordinary activities of the reporting entity and which are not expected to recur. They do not include items occurring within the entity's ordinary activities that are required to be disclosed by IAS 1.97, nor do they include prior period items merely because they relate to a prior period.

(k) Paragraph 88 of IAS 1 *Presentation of Financial Statements* is amended as follows:

An entity shall recognise all items of income and expense arising in a period in profit or loss unless an IFRS requires or permits otherwise, or unless prohibited by the Act.

(l) Paragraph 28 of IAS 16 *Property, Plant and Equipment* is deleted.

(m) Paragraph 24 of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* is amended as follows:

Government grants related to assets, including non-monetary grants at fair value, shall be presented in the statement of financial position ~~either~~ by setting up the grant as deferred income ~~or by deducting the grant in arriving at the carrying amount of the asset~~.

(n) Paragraph 25 of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* is deleted.

(o) Paragraph 26 of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* is amended as follows:

~~One method recognises the~~ The grant is recognised as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

(p) Paragraph 27 of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* is deleted.

(q) Paragraph 28 of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* is amended as follows:

The purchase of assets and the receipt of related grants can cause major movements in the cash flow of an entity. For this reason and in order to show the gross investment in assets, such movements are ~~often~~ disclosed as separate items in the statement of cash flows ~~regardless of whether or not the grant is deducted from the related asset for presentation purposes in the statement of financial position~~.

(r) Paragraph 29 of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* is amended as follows:

Grants related to income are presented as part of profit or loss, either separately or under a general heading such as 'Other income'; ~~alternatively,~~ they are <u>not</u> deducted in reporting the related expense.

(s) Paragraph 124 of IAS 36 *Impairment of Assets* is amended as follows:

An impairment loss recognised for goodwill shall ~~not~~ be reversed in a subsequent period <u>if, and only if, the reasons for the impairment loss have ceased to apply.</u>

Approval by the FRC

Financial Reporting Standard 101 *Reduced Disclosure Framework* 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 101

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 101 *Reduced Disclosure Framework*. 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[5].

7 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

[5] 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.

IFRS would increase disclosure in comparison to current accounting standards. The ASB therefore developed a reduced disclosure framework to address these concerns.

The reduced disclosure framework principles

8 In developing the reduced disclosure framework, the ASB set principles for determining which of the disclosure requirements in EU-adopted IFRS should be applied by qualifying entities. Setting principles provides a structure for future amendments to the reduced disclosure framework as new and revised IFRSs are adopted in the EU. The principles are specific to qualifying entities, so the impact on preparers and users of qualifying entity individual financial statements is a common theme to be considered in applying the principles. The agreed principles, which were first introduced when FRED 47 *Reduced Disclosure Framework* was issued, are as follows:

(1) Relevance:
Does the disclosure requirement provide information that is capable of making a difference to the decisions made by the users of the financial statements of a qualifying entity?

(2) Cost constraint on useful financial reporting:
Does the disclosure requirement impose costs on the preparers of the financial statements of a qualifying entity that are not justified by the benefits to the users of those financial statements?

(3) Avoid gold plating:
Does the disclosure requirement override an existing exemption provided by company law in the UK?

9 The Accounting Council is advising the FRC to adopt these principles.

The scope of the reduced disclosure framework

10 The reduced disclosure framework was first proposed in FRED 43 *Application of Financial Reporting Requirements*, and revised proposals were issued in FRED 47. FRED 43 proposed that qualifying subsidiaries could apply the reduced disclosure framework. The scope of the framework was extended beyond subsidiaries in FRED 47, so that the ultimate parent of a group may take advantage of the disclosure framework in its individual financial statements. Intermediate parents are subsidiaries and so were already included within the scope of the reduced disclosure framework.

11 The ASB decided, in clarifying the scope of the reduced disclosure framework in FRED 47, that a qualifying entity which is required to prepare consolidated financial statements (for example, if the entity is required by section 399 of the Act to prepare group accounts, and is not entitled to any of the exemptions in sections 400 to 402 of the Act), or a qualifying entity which voluntarily chooses to prepare consolidated financial statements, should not be permitted to apply the reduced disclosure framework in its consolidated financial statements. The ASB recognised that entities which are required or voluntarily choose to prepare consolidated financial statements generally have users with greater information requirements than the users of entities which only prepare individual financial statements. The ASB's decision not to extend the reduced disclosure framework to consolidated financial statements was questioned by a few respondents to FRED 47. The Accounting Council noted that the concerns raised were industry-specific and held the view previously identified that users of these financial statements had greater information requirements. The Accounting Council is therefore advising the FRC that the scope of the FRS remains unchanged from that proposed in FRED 47.

Application of the reduced disclosure framework to financial institutions

12 FRED 43 proposed that a subsidiary with public accountability should not be permitted to apply the reduced disclosure framework (see the Accounting Council's Advice to the FRC for FRS 100). With the elimination of 'public accountability' as a differentiator for a financial reporting system in FRED 46 (which replaced FRED 43), the ASB reconsidered which entities should be eligible to apply the reduced disclosure framework.

13 FRED 47 proposed consistent disclosure requirements for financial institutions, between those financial institutions that would be required to provide additional disclosures in accordance with FRED 48 and those financial institutions that are a qualifying entity taking advantage of the reduced disclosure framework. The ASB sought views on whether qualifying entities which are financial institutions should:

(a) provide disclosures required by IFRS 7 *Financial Instrument: Disclosures* and the disclosure requirements of IFRS 13 *Fair Value Measurement*; or

(b) provide disclosures required by IFRS 7 except for paragraphs 6, 7, 9(b), 16, 27A, 31, 33, 36, 37, 38, 39, 40 and 41 (this would provide consistency with disclosures required by FRED 48), and from paragraphs 92 to 99 of IFRS 13 (all disclosure requirements except the disclosure objectives).

14 Respondents had mixed views. Some held the view that a qualifying entity that is a financial institution should be permitted some exemptions from financial instrument disclosures in line with those in FRED 48, but others constituents disagreed on the basis that financial instruments are a significant part of the business for financial institutions and that those entities should provide an appropriate level of disclosure. The Accounting Council is advising the FRC that there should be no exemptions from IFRS 7 for financial institutions. This is also simple to apply and ensures financial institutions provide appropriate disclosure about their financial instruments.

15 Some respondents noted that there was an inconsistency in the application of the disclosure requirements in IFRS 13 between financial institutions and other entities. The inconsistency arose because financial institutions were required to provide disclosures for assets and liabilities held at fair value that are not financial instruments whereas other entities were exempt. The Accounting Council therefore considers that FRS 101 should clarify that a qualifying entity which is a financial institution is restricted from taking advantage of the disclosure exemptions from IFRS 13 only to the extent that they apply to financial instruments.

16 The Accounting Council is also advising the FRC that financial institutions should not be permitted to take advantage of the exemption from applying the capital disclosure requirements in IAS 1 *Presentation of Financial Statements*. Responses to FRED 47 had noted that capital disclosures provide relevant information for financial institutions.

Related party exemption for the reduced disclosure framework

17 In issuing FRED 47 the ASB decided to include an exemption in the reduced disclosure framework from disclosing a related party transaction in accordance with IAS 24 *Related Party Disclosures* where the related party transaction was entered into between two or more members of a group, provided that any subsidiary which is a party to a transaction is wholly owned by such a member. This exemption is consistent with company law and was well-received by constituents; the Accounting Council advises the FRC to carry the exemption forward into FRS 101. The exemption set out in paragraph 8(k) of FRS 101 should only be applied where all subsidiaries which are a party to the transaction are wholly owned by a member of the group. The provision of this exemption is in line with principle 3 in paragraph 8 of this report.

Extension of the reduced disclosure framework to recently issued International Financial Reporting Standards and amendments

18 The reduced disclosure framework principles (see paragraph 7) were applied in FRED 47 to those IFRSs issued or amended in 2011, including:

(a) IFRS 9 *Financial Instruments* (as revised in 2011);

(b) IFRS 10 *Consolidated Financial Statements*;

(c) IFRS 11 *Joint Arrangements*;

(d) IFRS 12 *Disclosure of Interests in Other Entities*;

(e) IFRS 13 *Fair Value Measurement*;

(f) IAS 1 *Presentation of Financial Statements* (as revised in 2011);

(g) IAS 19 *Employee Benefits* (as revised in 2011);

(h) IAS 27 *Separate Financial Statements* (as revised in 2011); and

(i) IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011).

19 The Accounting Council subsequently considered the application of the reduced disclosure framework principles to *Annual Improvements to IFRSs 2009-2011 Cycle* which was issued by the IASB in May 2012. The application of the reduced disclosure framework principles leads the Accounting Council to advise the FRC (paragraph 8(g) of FRS 101) to provide disclosure exemptions from paragraphs 38A, 38B, 38C, 38D, 40A, 40B, 40C and 40D of IAS 1 *Presentation of Financial Statements*. Paragraphs 38A, 38B, 38C and 38D are concerned with comparative information in respect of the preceding period, and paragraphs 40A, 40B, 40C and 40D are concerned with a statement of financial position as at the beginning of the preceding period.

20 The Accounting Council advises the FRC to update FRS 101 at regular intervals, to ensure that the disclosure framework maintains consistency with EU-adopted IFRS.

The precedence of the Companies Act

21 The presentation requirements applicable to the statement of financial position and the statement of comprehensive income in IAS 1 have been amended in the Application Guidance of FRS 101 to clarify that a qualifying entity must comply with the company law format requirements. The Accounting Council advises the FRC to reconsider the format requirements of FRS 101 should the Government decide to amend company law at a future date.

Approval of this advice

22 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	Any of the following: (a) a bank which is: (i) a firm with a Part IV permission[6] which includes accepting deposits and: (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 Company[7], venture capital trust, mutual fund, exchange traded fund, unit trust, open-ended investment company (OEIC); (h) a retirement benefit plan; or

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

[7] 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.

	(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. A parent entity whose sole activity is to hold investments in other group entities is not a financial institution.
FRS 100	FRS 100 *Application of Financial Reporting Requirements*
FRS 101	FRS 101 *Reduced Disclosure Framework*
FRS 102	FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*
FRSSE	The extant version[8] of the *Financial Reporting Standard for Smaller Entities*
IAS Regulation	EU Regulation 1606/2002.
IFRS	Standards and interpretations issued (or adopted) by the International Accounting Standards Board (IASB). They comprise: (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: (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. Separate financial statements are included in the meaning of this term.
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	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[9]. A charity may not be a qualifying entity.
Regulations	The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

8 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.

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

Appendix II: Note on Legal Requirements

Introduction

A2.1 This appendix provides an overview of how the requirements in FRS 101 address United Kingdom company law requirements. It is therefore written from the perspective of a company to which the Companies Act 2006 applies. Appendix IV contains Republic of Ireland legal references.

A2.2 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). References to specific provisions are to Schedule 1 to the Regulations; entities applying Schedules 2 or 3 should read them as referring to the equivalent paragraph in those schedules.

Companies Act accounts

A2.3 Accounts prepared in accordance with EU-adopted IFRS are 'IAS accounts', and are within the scope of EU Regulation 1606/2002 (IAS Regulation). Where a qualifying entity prepares accounts in accordance with FRS 101, it prepares Companies Act accounts as referred to in section 395 of the Act. Those accounts must comply with the applicable provisions of Parts 15 and 16 of the Act and with the Regulations.

Applicable accounting framework

Consistency of financial reporting within groups

A2.4 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 subsidiaries 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.

A2.5 All companies, other than those which elect or are required to prepare IAS individual accounts in accordance with the Act, prepare Companies Act individual accounts.

Financial instruments measured at fair value

A2.6 All preparers of Companies Act accounts must comply with the requirements of paragraph 36 of Schedule 1 to the Regulations[10], which provides that:

(1) Subject to sub-paragraphs (2) to (5), financial instruments (including derivatives) may be included at fair value.

[10] The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (SI 2008/409) contain an identical provision for companies subject to the small companies regime.

(2) Sub-paragraph (1) does not apply to financial instruments that constitute liabilities unless—

(a) they are held as part of a trading portfolio,

(b) they are derivatives, or

(c) they are financial instruments falling within sub-paragraph (4).

(3) Unless they are financial instruments falling within sub-paragraph (4), sub-paragraph (1) does not apply to—

(a) financial instruments (other than derivatives) held to maturity,

(b) loans and receivables originated by the company and not held for trading purposes,

(c) interests in subsidiary undertakings, associated undertakings and joint ventures,

(d) equity instruments issued by the company,

(e) contracts for contingent consideration in a business combination, or

(f) other financial instruments with such special characteristics that the instruments, according to generally accepted accounting principles or practice, should be accounted for differently from other financial instruments.

(4) Financial instruments that may be included in accounts at fair value, under international accounting standards adopted by the European Commission on or before 5th September 2006 in accordance with the IAS Regulation, may be so included provided that the disclosures required by such accounting standards are made.

[...]

A2.7 A qualifying entity taking advantage of the reduced disclosure framework in FRS 101 must comply with the fair value measurement requirements applicable to financial instruments under the Regulations. Therefore, the qualifying entity must, for example, make all IFRS disclosures required for financial instruments held at fair value subject to the requirements of section 36(4) of Schedule 1 to the Regulations as set out in paragraph 6 of FRS 101.

Non-amortisation of goodwill

A2.8 A qualifying entity preparing accounts in accordance with FRS 101 may have recognised goodwill which, in accordance with IFRS 3 *Business Combinations*, is not amortised. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to the Regulations, which requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. As such, the non-amortisation of goodwill will usually be a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations. In this circumstance there will need to be given in the notes to the accounts 'particulars of the departure, the reasons for it and its effect' (paragraph 10(2) of Schedule 1 to the Regulations). This is not a new instance of the use of the 'true and fair override' as paragraph 18 of FRS 10 *Goodwill and intangible assets* noted that it would have been required by companies applying paragraph 17 of FRS 10 which states 'Where goodwill and intangible assets are regarded as having indefinite useful economic lives, they should not be amortised.'

Presentation and formats

A2.9 A qualifying entity preparing accounts in accordance with FRS 101 must comply with the company law format requirements applicable to the statement of financial position and the statement of comprehensive income. The format and presentation requirements of IAS 1 *Presentation of Financial Statements* may conflict with those in company law because of the following:

(a) Differences in the definition of 'fixed assets'[11] (the term used in the Regulations) and 'non-current assets' (the term used in EU-adopted IFRS).

(b) Differences in the definition of 'current assets' as the term is used in the Regulations and EU-adopted IFRS.

(c) Differences in the definition of 'creditors falling due within or after one year' (the terms used in the Regulations) and 'current and non-current liabilities' (the term used in EU-adopted IFRS). Under the Act a loan is treated as due for repayment on the earliest date on which a lender could require repayment, whilst under EU-adopted IFRS the due date is based on when the entity expects to settle the liability or has no unconditional right to defer payment.

(d) The Act requires presentation of debtors falling due after more than one year within current assets. Under EU-adopted IFRS those items would be presented in non-current assets. UITF Abstract 4 *Presentation of long-term debtors in current assets* (the UITF's consensus is reproduced below in paragraph A2.10) addressed the inclusion of debtors due after more than one year within 'current assets'.

A2.10 In relation to paragraph A2.9(d), in most cases it will be satisfactory to disclose the size of debtors due after more than one year in the notes to the accounts. There will be some instances, however, where the amount is so material in the context of the total net current assets that in the absence of disclosure of the debtors due after more than one year on the face of the balance sheet readers may misinterpret the accounts. In such circumstances, the amount should be disclosed on the face of the balance sheet within current assets.

A2.11 The Regulations require the separate disclosure of extraordinary items in the profit and loss account. A qualifying entity preparing financial statements in accordance with FRS 101 must therefore disclose items that are deemed to be extraordinary items separately in the statement of comprehensive income. Entities should note that extraordinary items are extremely rare as they relate to highly abnormal events or transactions.

Realised profits

A2.12 Paragraph 13(a) of Schedule 1 to the Regulations requires that only profits realised at the balance sheet date are included in the profit and loss account, a requirement modified from that in Article 3.1(c)(aa) of the Fourth Directive[12] which refers to profits 'made' at the balance sheet date.

A2.13 Paragraph 39 of Schedule 1 to the Regulations allows that investment property and living animals and plants that may under international accounting standards be held at fair value, may also be held at fair value in Companies Act accounts.

A2.14 Paragraph 40(2) of Schedule 1 to the Regulations then requires that, in general, movements in the value of financial instruments, investment properties or living animals

[11] Assets of an entity which are intended for use on a continuing basis in the entity's activities.

[12] European Commission, Council Directive 78/660/EEC.

or plants are recognised in the profit and loss account, notwithstanding the usual restrictions allowing only realised profits and losses to be included in the profit and loss account. Paragraph 40 of Schedule 1 to the Regulations thereby overrides the requirements of Paragraph 13(a) of Schedule 1.

A2.15 Entities measuring investment properties, living animals or plants, or financial instruments at fair value should note that they may transfer such amounts to a separate non-distributable reserve instead of carrying them forward in retained earnings but are not required to do so. Presenting fair value movements that are not distributable profits in a separate reserve may assist with the identification of profits available for that purpose.

A2.16 Entities should also continue to note that whether profits are available for distribution must be determined in accordance with applicable law. Entities may also refer to the Technical Release 02/10 *Guidance on Realised and Distributable Profits under the Companies Act 2006* issued by the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of Scotland or any successor document, to determine profits available for distribution.

Table I
Areas for consideration by a qualifying entity preparing accounts in accordance with FRS 101 *Reduced Disclosure Framework*, in order to ensure compliance with the Act

IFRS	Explanation/potential issues	Amendment to EU-adopted IFRS
IFRS 1	*Assets and liabilities of a parent or subsidiaries* IFRS 1 provides an option for a subsidiary which becomes a first-time adopter later than its parent, which allows the subsidiary to measure its assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS (D16). Under IFRS 1, if a parent becomes a first-time adopter later than in its consolidated financial statements, it shall measure its assets and liabilities at the same carrying amounts as in the consolidated financial statements (D17). Entities preparing their financial statements in accordance with FRS 101 must comply with the measurement requirements of the Act, which may be inconsistent with those of EU-adopted IFRS applied in the consolidated financial statements.	Restricted the application of the first-time adoption options in IFRS 1 D16 and D17 to situations where the measurement of assets and liabilities in the subsidiary's or parent's individual financial statements based on the consolidated financial statements would comply with FRS 101.

IFRS	Explanation/potential issues	Amendment to EU-adopted IFRS
IFRS 3	*Negative goodwill* IFRS 3 requires that negative goodwill is recognised as a gain in profit or loss at the acquisition date (IFRS 3.34). The Act does not contain accounting requirements for a negative consolidation difference subsequent to recognition. Nevertheless, the Seventh Directive[13] sets out conditions under which a negative consolidation difference may be transferred to the profit and loss account. The conditions under the Seventh Accounting Directive may be inconsistent with the recognition requirements for negative goodwill under EU-adopted IFRS.	Amended IFRS 3.34 to align with FRS 102, Section 19 *Business Combinations and Goodwill*, paragraph 19.24.
	Contingent consideration IFRS 3 requires the measurement of contingent consideration at fair value. Contingent consideration classified as a financial asset or liability is remeasured at fair value with fair value movements recognised in profit or loss (IFRS 3.58). The Regulations do not permit measurement at fair value of contingent consideration that is a financial instrument (the exemption of paragraph 36(4) of Schedule 1 to the Regulations does not apply) unless it is a derivative.	Amended IFRS 3.39 and IFRS 3.40 to align with FRS 102, Section 19 *Business Combinations and Goodwill*, paragraphs 19.12 and 19.13. Deleted IFRS 3.58.
IFRS 5	*Analysis of results of discontinued operation* IFRS 5 allows the analysis of post-tax results of discontinued operations to be presented on the face of the statement of comprehensive income or in the notes (IFRS 5.33). The Regulations require an entity to show totals for turnover, profit or loss before taxation and tax arising from ordinary activities on the face of the profit and loss account.	Removed the option in IFRS 5.33 to present the analysis in the notes to the accounts. The information must be presented on the face of the statement of comprehensive income in a columnar format.

[13] European Commission, Council Directive 83/349/EEC.

IFRS	Explanation/potential issues	Amendment to EU-adopted IFRS
IAS 1	*Formats* The format requirements applicable under IAS 1 and those under the Regulations may be incompatible.	IAS 1.53A and IAS 1.81C are inserted to disapply IAS 1.54 to IAS 1.76, IAS 1.82 and IAS 1.84 to IAS 1.86, unless the application of these requirements complies with the Regulations.
	Extraordinary items IAS 1 does not permit the presentation of extraordinary items (IAS 1.87) however, the Regulations require it.	Amended IAS 1.87 to remove the prohibition and inserted IAS 1.87A to include the definition of extraordinary items consistent with that in FRS 102, Section 5 *Statement of comprehensive income and income statement,* paragraph 5.10A.
	Realised profits IAS 1 requires the recognition of all income and expenses in profit or loss, unless otherwise required or permitted by an IFRS (IAS 1.88). The Regulations require that only profits realised at the balance sheet date are included in the profit and loss account (see paragraphs A2.12 to A2.15 above).	Amended IAS 1.88 to clarify the precedence of the Act.
IAS 16	*Government grants* IAS 16.28 permits the carrying amount of property, plant and equipment to be reduced by government grants in accordance with IAS 20. Off-setting of items that represent assets against items that represent liabilities is prohibited under the Regulations, unless specifically permitted or required. This option in EU-adopted IFRS is not compliant with the Regulations.	Deleted IAS 16.28.

IFRS	Explanation/potential issues	Amendment to EU-adopted IFRS
IAS 20	*Balance sheet off-setting* IAS 20.24 contains an option which permits government grants related to assets to be deducted in arriving at the carrying amount of the asset. Off-setting of items that represent assets against items that represent liabilities is prohibited under the Regulations, unless specifically permitted or required. This option in EU-adopted IFRS is not compliant with the Regulations.	Amended IAS 20.24, IAS 20.26, IAS 20.28 and deleted IAS 20.25 and IAS 20.27 to remove the off-set option.
	Profit and loss account off-setting IAS 20.29 contains an option which permits grants related to income to be deducted in reporting the related expense. Off-setting of items that represent income against items that represent expenditure is prohibited under the Regulations, unless specifically permitted or required. This option in EU-adopted IFRS is not compliant with the Regulations.	Amended IAS 20.29 to remove the off-set option.
IAS 36	*Reversal of impairment of goodwill* IAS 36 prohibits the reversal of impairment losses recognised on goodwill (IAS 36.124). The Regulations require the reversal of a provision for diminution in value of a fixed asset, if the reason for the provision has ceased to exist.	Amended IAS 36.124 and aligned with the requirement in FRS 102, Section 27 *Impairment of assets*, paragraph 27.28.

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[14] 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.

[14] 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 IFRSs, 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 FREDs 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 revised[15].

(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

[15] 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).

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 Friendly Societies Acts 1896 to 1977.

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 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.

Other notes

A4.9 As noted in paragraph A2.2 of this FRS, while the UK company law references are made to Schedule 1 to the 2008 Regulations, entities applying Schedules 2 (banking companies) or 3 (insurance companies) to those Regulations should read them as referring to the equivalent paragraphs in those Schedules. In the table below, the corresponding or similar provisions in Irish company law are specifically set out.

A4.10 As this FRS does not apply to the preparation of consolidated financial statements (see paragraph 3 of this FRS), readers should note that, with a number of specific exceptions, there are no references included in the table below to the Group Accounts Regulations, 1992 or other legislative provisions pertaining to group accounts. The exceptions relate to paragraphs dealing with the scope of the standard and the definitions of qualifying entities.

A4.11 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

	UK References	ROI References				
Paragraph	**2006 Act and the 2008 Regulations (unless otherwise stated)**	**1963 Act**	**1986 Act**	**GAR 1992**	**CIR 1992**	**IUR 1996**
ix	Section 395(1)(b)	Section 148(2)(b)			Regulation 5(1)	Regulation 5(1)

Financial Reporting Standard 101 *Reduced Disclosure Framework*

	UK References	ROI References				
Paragraph	**2006 Act and the 2008 Regulations (unless otherwise stated)**	**1963 Act**	**1986 Act**	**GAR 1992**	**CIR 1992**	**IUR 1996**
3	Section 399	Section 150(1)		Regulations 5 and 7	Regulation 7(3)	Regulation 10(3)
3	Sections 400 to 401			Regulations 8, 9 and 9A	Regulations 8 and 8A	Regulations 12 and 12A
3	Section 402	Section 150(1A)*			Paragraph 2 of Part II to the Schedule	Regulation 10(1A)*
		*Section 150(1A) of the 1963 Act and Regulation 10(1A) of the IUR 1996 contain an exemption from preparing group accounts which is similar but not identical to Section 402.				
5(b)	Section 395(1)(a)	Section 148(2)(a)			Regulation 5(1)	Regulation 5(1)
5(b)	Section 395(1)(b)	Section 148(2)(b)			Regulation 5(1)	Regulation 5(1)
6	Paragraph 36(4) of Schedule 1 to the Regulations		Paragraph 22AA of Part IIIA of the Schedule		Paragraphs 46A(4A) and 46A(4B) of Part I of the Schedule	

Application Guidance: Amendments to International Financial Reporting Standards as adopted in the European Union for compliance with the Act and the Regulations

	UK References	ROI References				
Paragraph	**2006 Act and the 2008 Regulations (unless otherwise stated)**	**1963 Act**	**1986 Act**	**GAR 1992**	**CIR 1992**	**IUR 1996**
AG1	'Companies Act accounts or IAS accounts'	Sections 148, 149, 149A, 150, 150A and 150B				
AG1(h) and footnote AG1(i) and footnote	Part 1 'General Rules and Formats' of Schedule 1 to the Regulations		Part I of the Schedule			
AG1(h) and footnote AG1(i) and footnote	Part 1 'General Rules and Formats' of Schedule 2 to the Regulations				Chapter 1 of Part I of the Schedule	
AG1(h) and footnote AG1(i) and footnote	Part 1 'General Rules and Formats' of Schedule 3 to the Regulations					Part I of the Schedule
AG1(h) and footnote AG1(i) and footnote	Part 1 'General Rules and Formats' of Schedule 1 to the LLP Regulations	No equivalent LLP legislation in Ireland.				

The Accounting Council's Advice to the FRC to issue FRS 101

	UK References	ROI References				
Paragraph	**2006 Act and the 2008 Regulations (unless otherwise stated)**	**1963 Act**	**1986 Act**	**GAR 1992**	**CIR 1992**	**IUR 1996**
11	Section 399	Section 150(1)		Regulations 5 and 7	Regulation 7(3)	Regulation 10(3)
11	Sections 400 to 401			Regulations 8, 9 and 9A	Regulations 8 and 8A	Regulations 12 and 12A
11	Section 402	Section 150(1A)*			Paragraph 2 of Part II to the Schedule	Regulation 10(1A)*
		*Section 150(1A) of the 1963 Act and Regulation 10(1A) of the IUR 1996 contain an exemption from preparing group accounts which is similar but not identical to Section 402.				

Appendix I: Glossary

	UK References	ROI References				
Paragraph	**2006 Act and the 2008 Regulations (unless otherwise stated)**	**1963 Act**	**1986 Act**	**GAR 1992**	**CIR 1992**	**IUR 1996**
'Financial institution' and footnote 6	Part IV permission; Section 40(4) of the Financial Services and Markets Act 2000	There is no equivalent legislation in Ireland to the Financial Services and Markets Act 2000. Banks in Ireland are licensed under Section 9 of the Central Bank Act 1971.				
'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 "*not trading for the acquisition of gain by the members*" must prepare Companies Act accounts (i.e. not IFRS accounts), and this definition may apply to many Irish charity companies.				

	UK References	ROI References				
Paragraph	**2006 Act and the 2008 Regulations (unless otherwise stated)**	**1963 Act**	**1986 Act**	**GAR 1992**	**CIR 1992**	**IUR 1996**
'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, 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.				
'Qualifying entity' (Footnote 9)	S474(1) of the Act			Regulation 3(1)	Paragraph 1 of part IV of the Schedule	

Appendix II: Note on legal requirements

	UK References	ROI References				
Paragraph	**2006 Act and the 2008 Regulations (unless otherwise stated)**	**1963 Act**	**1986 Act**	**GAR 1992**	**CIR 1992**	**IUR 1996**
A2.2	Schedule 1 to the Regulations		Sections 4, 5 and 6 and the Schedule			
A2.2	Schedule 2 to the Regulations				Part I of the Schedule	
A2.2	Schedule 3 to the Regulations					Regulations 6, 7 and 8 and Parts I, II and III of the Schedule
A2.3	‘Companies Act accounts’ required to comply with Parts 15 and 16 of the Act and [with] the Regulations	Sections 148, 149,150C, 156, 161D and 191	Sections 3 to 6, 16, 16A and 17 and the Schedule		Regulations 2, 5 and 10 and Parts I, IIIA and IV of the Schedule	Regulations 2, 5, 6, 7 and 8 and Parts I, II and III of the Schedule
		See also sections 41, 43 and 63 of the Companies Act 1990 and section 33(4) of the Companies (Amendment)(No.2) Act 1999 (as amended)				
A2.3	Section 395	Section 148			Regulation 5(1)	Regulation 5(1)
A2.4	Section 407	Section 150C				
A2.6	Paragraph 36 of Schedule 1 to the Regulations		Paragraphs 22A and 22AA of Part IIIA the Schedule		Paragraph 46A of Part I of the Schedule	

	UK References	ROI References				
Paragraph	**2006 Act and the 2008 Regulations (unless otherwise stated)**	**1963 Act**	**1986 Act**	**GAR 1992**	**CIR 1992**	**IUR 1996**
A2.6 (Footnote 10)	The Small Companies and Groups (Accounts and Directors Report) Regulations 2008 (SI 2008/409)	There is no equivalent 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 in the introduction above. The above references to paragraphs 22A and 22AA of Part IIIA the Schedule to the 1986 act and paragraph 46A of Part I of the Schedule to the CIR 1992 apply equally to small companies as to large and medium-sized companies in Ireland.				
A2.7	Fair value measurement requirements applicable to financial instruments under the Regulations		Part IIIA of the Schedule		Paragraphs 46A, 46B, 46C and 46D of Part I of the Schedule	
A2.7	Paragraph 36(4) of Schedule 1 to the Regulations.		Paragraph 22AA of Part IIIA of the Schedule		Paragraphs 46A(4A) and 46A(4B) of Part I of the Schedule	
A2.8	Paragraph 22 of Schedule 1 to the Regulations		Paragraph 9 of Part II of the Schedule		Paragraph 28 of Part I of the Schedule	Paragraph 4 of Part II of the Schedule
A2.8	Paragraph 10(2) of Schedule 1 to the Regulations		Section 6		Paragraph 22 of Part I of the Schedule	Regulation 8
A2.12 and A2.14	Paragraph 13(a) of Schedule 1 to the Regulations		Section 5(c)(i)		Paragraph 19(a) of Part I of the Schedule	Regulation 7(c)(i)

	UK References	ROI References				
Paragraph	**2006 Act and the 2008 Regulations (unless otherwise stated)**	**1963 Act**	**1986 Act**	**GAR 1992**	**CIR 1992**	**IUR 1996**
A2.13	Paragraph 39 of Schedule 1 to the Regulations		Paragraph 22CA of Part IIIA of the Schedule		Paragraph 46BA of Part I of the Schedule	
A2.14	Paragraphs 40 and 40(2) of Schedule 1 to the Regulations		Paragraph 22D and 22D(2) of Part IIIA of the Schedule		Paragraph 46C and 46C(1) of Part I of the Schedule	

Appendix II: Table 1 – Areas for consideration by a qualifying entity preparing accounts in accordance with FRS 101 *Reduced Disclosure Framework*, in order to ensure compliance with the Act

	UK References	ROI References				
Paragraph	**2006 Act and the 2008 Regulations (unless otherwise stated)**	**1963 Act**	**1986 Act**	**GAR 1992**	**CIR 1992**	**IUR 1996**
IFRS 3	Paragraph 36(4) of Schedule 1 to the Regulations		Paragraph 22AA of Part IIIA of the Schedule		Paragraphs 46A(4A) and 46A(4B) of Part I of the Schedule	

Appendix III: Previous consultations

	UK References	ROI References				
Paragraph	**2006 Act and the 2008 Regulations (unless otherwise stated)**	**1963 Act**	**1986 Act**	**GAR 1992**	**CIR 1992**	**IUR 1996**
A3.11	'*small companies regime*'	There are no equivalent provisions in Irish 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.				

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