Financial Reporting Council

FRS 102 – Editorial amendments and clarification statements (last updated 16 April 2015)

This document sets out all editorial amendments and clarification statements issued by the FRC to date in relation to the August 2014 edition of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. Consequently it does not include editorial amendments that were reflected in the August 2014 edition of FRS 102 or clarification statements that have been superseded by other amendments to FRS 102.

This document is organised by section of FRS 102.

Section 12 Other Financial Instruments Issues

Issued 17 September 2014

Editorial amendment regarding Examples of hedge accounting: Example 1 (deleted text is struck through, inserted text is underlined)

The CU amount for the settlement of the purchase of the non-financial asset as presented in Note B and the related accounting entry is incorrect. The correct CU amount is CU1,112,400. The corrected extracts from Example 1 are as follows:

Note B: For illustrative purposes the accounting entry for the purchase of the non-financial asset at the applicable spot rate of FC2.16:CU for CU~~1,080,000~~1,112,400 (settled in cash) is shown below.

Accounting entries:

Ref		Debit	Credit
(B)	Property, plant and equipment (PP&E)	CU~~10,080,000~~1,112,400	
	Cash		CU~~10,080,000~~1,112,400

Issued 16 April 2015

Net investment hedges in foreign operations that are branches

During 2013 it had been brought to the FRC's attention that, in relation to net investment hedges of foreign operations, there appeared to be an inconsistency between FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and the Accounting Council's Advice to the FRC, and that this could potentially lead to confusion.

The FRC subsequently revised the hedge accounting requirements in July 2014. The Accounting Council did not revisit its original Advice, which was issued in March 2013, when the hedge accounting requirements were amended, but issued Advice on the new hedge accounting requirements. This new Advice is also included in FRS 102 and does not contain references to hedges of a net investment in a foreign operation.

A hedge of a net investment in a foreign operation remains a permitted type of hedging relationship (see paragraph 12.19(c) of FRS 102) and FRS 102 therefore continues to permit hedge accounting for net investments in foreign branches in the separate financial statements of a parent, provided the conditions in paragraph 12.18 of FRS 102 are met.

Section 29 Income Tax

Issued 12 November 2013

Clarification statement in relation to deferred tax arising on a business combination

Paragraph 29.11 of FRS 102 requires an entity to recognise a deferred tax asset or liability for the difference between the amount that can be deducted for tax for an asset (other than goodwill) that is acquired in a business combination and the value at which it is recognised.

The phrase 'the amount that can be deducted for tax' is not a defined term in FRS 102 and it has been brought to the FRC's attention that the meaning of this phrase would benefit from clarification.

In applying this paragraph an entity should consider the manner in which it expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. This assessment should include consideration of all taxes, including operating taxes and taxes arising from the sale of the item, if appropriate.