



UK GAAP Update

23 June 2022

This webinar will commence shortly

Introduction



Sally Baker
Head of Corporate Reporting Policy, ICAEW

Today's presenters

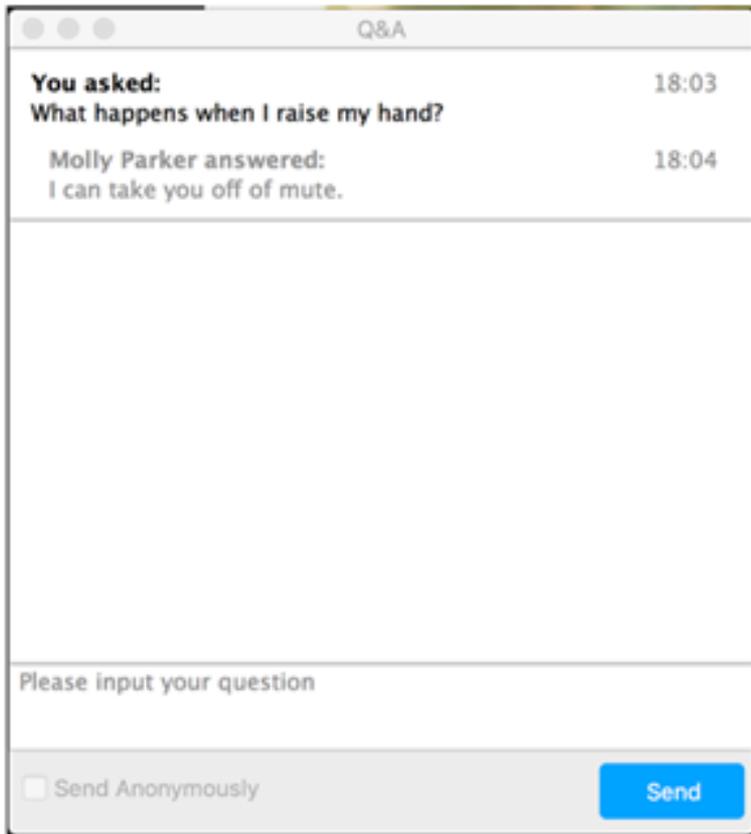


Eunice McAdam
Partner
Saffery Champness



Matt Howells
Partner
Evelyn Partners

Ask a question and access resources



The screenshot shows a Q&A window with a title bar containing three window control buttons and the text 'Q&A'. The main content area displays a question and answer:

You asked: 18:03
What happens when I raise my hand?

Molly Parker answered: 18:04
I can take you off of mute.

Below the answer is a large empty text area. At the bottom of the window, there is a text input field with the placeholder text 'Please input your question'. To the left of the input field is a checkbox labeled 'Send Anonymously'. To the right is a blue button labeled 'Send'. An arrow points from the text 'send anonymously' in the adjacent text block to the 'Send Anonymously' checkbox.

To ask a question

Click on the **Q&A** button in the bottom toolbar to open the question box.

Type in your question and press **send**.

Note: If you wish to ask your question anonymously check the **send anonymously** box shown on the illustration on the left.

Download resources

Access related resources, including the presentation slides at icaew.com/frfwebinars

Contents

Reporting reminders for 2022 reporting season

Current issues

Regulatory update

Periodic review insights

Questions

- 2022 versions of accounting standards
- Amendments to standards
- Brexit reminders
- Consultations



Reporting reminders

2022 REPORTING SEASON

2022 versions of accounting standards

Standard
Accounting and Reporting

 Financial Reporting Council

January 2022

FRS 101
Reduced Disclosure Framework
Disclosure exemptions from adopted IFRS
for qualifying entities

Standard
Accounting and Reporting

 Financial Reporting Council

January 2022

FRS 103
Insurance Contracts
Consolidated accounting and reporting
requirements for entities in the UK and
Republic of Ireland issuing insurance
contracts

This Financial Reporting Standard is for reference in the UK and Republic of Ireland only
Due to copyright restrictions, the full text of FRS 102 and the Basis for Conclusions
that accompanies the standard is not available outside the UK and Republic of Ireland.
This Financial Reporting Standard is available in the UK and Republic of Ireland only
and is not to be distributed to or read by any party outside this territory.
Users outside the UK and Republic of Ireland should visit our webpage at: www.frc.org.uk/FRS

Standard
Accounting and Reporting

 Financial Reporting Council

January 2022

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

This Financial Reporting Standard is for reference in the UK and Republic of Ireland only
Due to copyright restrictions, the full text of FRS 104 and the Basis for Conclusions
that accompanies the standard is not available outside the UK and Republic of Ireland.
This Financial Reporting Standard is available in the UK and Republic of Ireland only
and is not to be distributed to or read by any party outside this territory.
Users outside the UK and Republic of Ireland should visit our webpage at: www.frc.org.uk/FRS

Standard
Accounting and Reporting

 Financial Reporting Council

January 2022

FRS 104
Interim Financial Reporting

 Financial Reporting Council

January 2022

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

Amendments to standards

No new amendments for 2022 reporting

Amendment to FRS 101:
Effective date of IFRS 17
(from 1 January 2023)

Brexit reminders – the good news

Small companies regime

- Can now be applied if the small company is part of a group with member listed on an EEA regulated stock exchange
- Definition of “ineligible group” now refers to UK regulated market

Directors' report disclosures

- Political donations and expenditure only required for UK (not EU)

Brexit reminders – the bad news

Subsidiary
audit
exemption
via
statutory
guarantee
(s479A-C)

- Guarantee must now be given by a UK parent which produces consolidated accounts
- Other conditions continue to apply

Consultations

Exposure Draft



May 2022

FRED 80

Draft amendments to FRS 100
*Application of Financial Reporting
Requirements*

Application Guidance
The Interpretation of Equivalence

FRED 80

Concept of “equivalence” is relevant to several areas

- Exemption from preparing group accounts under s401
- Certain disclosure exemptions for qualifying entities under FRS 101 and FRS 102
- Alternative measurement option for group share-based payment transactions under FRS 102

Application guidance designed to assist in interpreting what is “equivalent” in practice where a particular GAAP has not been granted equivalence by the UK government

- Ukraine conflict – key financial reporting issues
 - Post balance sheet events
 - Impairment of tangible and intangible assets
 - Going concern



Current issues

Post balance sheet events

Accounts must reflect conditions that existed at balance sheet date

- In a rapidly evolving situation, difficult to assess what conditions existed on a particular date, and therefore what is adjusting and non-adjusting
- Robust disclosure of key assumptions about the future and other key sources of estimation uncertainty

Post balance sheet events

News of Russia's invasion broke at the end of February 2022

December and January year ends: non-adjusting post balance sheet event

- Disclose material non-adjusting events and an estimate of financial effect
 - Consider impact of the war on the business, eg
 - Impact of sanctions
 - Impact of war on countries in which the entity operates
 - Impact on supply chain
 - Broader impact on the global economy

Post balance sheet events

February year ends onwards: adjusting post balance sheet event

- Review all areas of the accounts that are subject to judgement and estimation uncertainty that might be adversely affected, eg
 - Impairment of assets (see next slide)
 - Share-based payments
 - Pension obligations
 - Tax (including deferred tax)
 - Receivables
 - Fair value measurements
 - Onerous contracts

Impairment of tangible and intangible assets

If the war materially affects the business before the reporting date, this needs to be factored into impairment assessments

- “A significant adverse change in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated”
- Russia/Belarus/Ukraine in the supply chain and no alternatives are available
- Vulnerable to increases in energy or fuel prices
- Export to, or have large contracts with, customers in Russia/Belarus/Ukraine

Even when assets are not considered to be impaired, residual values and useful economic lives may still need to be reassessed

Going concern

War adding to existing pressures from after-effects of the COVID-19 pandemic

When assessing whether the going concern assumption is appropriate, management must take into account all available information about the future

- At least, but not limited to, 12 months from the date that the financial statements are authorised for issue

Going concern

Going concern and no material uncertainty

- Use the going concern basis
- Disclose any significant judgements used by management in reaching this conclusion

Going concern but material uncertainty

- Consider additional disclosures of any material uncertainties which cast significant doubt over ability to continue as a going concern

Not a going concern

- High threshold: an entity is a going concern unless management either intends to liquidate the entity or cease trading or has no realistic alternative but to do so
- If no longer a going concern
 - Disclose the fact that the financial statements are not be prepared a going concern basis
 - The reasons why
 - The basis on which the financial statements have been prepared

- Front end reporting
- Companies House reform
- Audit and corporate governance reform



***Regulatory
updates***

Front end reporting

Summary of strategic report content elements

	CONTENT REQUIREMENTS						
	S172 STATEMENT	BUSINESS REVIEW	KPIS	TRENDS AND NFI	STRATEGY AND BUSINESS MODEL	GENDER SPLIT	NFI STATEMENT
Medium-sized company		✓	✓*				
Large company	✓	✓	✓				
Quoted company ≤ 500 employees	✓	✓	✓	✓	✓	✓	
Public-interest entity with > 500 employees**	✓	✓	✓	✓***	✓***	✓***	✓

Reporting on risks

Climate risks:

- Transition to net-zero economy
- S172 reporting now established
- TCFD framework extended to large private companies from April 2022

Reporting on risks

Disclosures include:

- Governance arrangements for assessing and managing climate-related risks and opportunities
- How risks are identified, assessed and managed
- Integration with overall risk management process
- Principle risks and opportunities and timeframe
- Impacts
- Resilience
- Targets
- KPIs

Other risks

Supply chain risks:

- Brexit, pandemic and war in Ukraine
- Significant risk for some sectors

Cyber risks:

- Changing IT risks from changes in business model and a shift to more remote working

Companies House reform

Response aims to:

- Improve financial information on register
- Better financial management practices for small and medium entities
- Promote transition to digital reporting
- Support better business and credit decisions
- Support efforts to combat economic crime

Companies House reform

How?:

- Legal overhaul
- New powers
- New verification checks
- Reporting of suspicious filings
- Passive recipient to active gatekeeper

Companies House reform

Key changes:

- Filing deadlines not shortened (yet)
- Abridged accounts abolished
- Filleted filing removed
- Micro-entities to file P&L
- Micro-entities definition
- Dormant companies file eligibility statement
- All companies to file digitally with full iXBRL

Audit and Corporate Governance reform

Feedback statement 31 May
2022:

- Timetable for change
- New regulator
- New PIE definition
- Other changes

Audit and Corporate Governance reform

Audit, Reporting and Governance Authority (ARGA)

- New regulator will replace the FRC
- New powers including ability to direct companies to restate their accounts without going to Court
- Strengthening oversight of professional bodies' regulation of the accountancy profession

Audit and Corporate Governance reform

Public Interest Entities

- Current definition inherited from the EU: listed on stock exchange, banks & building societies and insurance firms
- Very large unlisted companies (>750 employees and >£750m turnover) will also become PIEs
- AIM companies caught only if they meet this test

Audit and Corporate Governance reform

Other changes impacting corporate reporting

- Increasing transparency on risk reporting for large PIEs, and steps taken to prevent and detect fraud
- New Statutory Resilience Statement for Large public and private companies
- Large PIEs to publish distributable reserves and confirm legality of dividends
- ARGAs will provide further guidance on 'realised' profits and losses

Audit and Corporate Governance reform

Audit scope

- FTSE 350 companies to appoint non big-4 or a 'managed shared audit'
- Large PIEs to set out how they assure the quality and reliability of information in annual reports outside the financial statements, including on climate, risk and internal control

- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IFRS 9 Financial Instruments



Periodic review

Poll Q – current familiarity with IFRS

- How would you describe your current knowledge of IFRSs 9, 15 and 16?
 - Detailed knowledge of requirements
 - Awareness of requirements
 - Awareness of key differences compared with UK GAAP
 - Not familiar with requirements

IFRS 15 Revenue from Contracts with Customers

IFRS 15 much more complex than FRS 102 Section 23

- Significant judgement required in some areas
- But relatively prescriptive in other areas, eg
 - identification of a contract with a customer
 - identification of distinct performance obligations and allocation of transaction price between them
 - accounting for variable consideration and significant financing components
 - recognition of revenue arising from licences
 - presentation and disclosure of revenue and related balances (eg accrued and deferred income)

If introduced in part or in full, may result in substantial changes to revenue recognition policies

IFRS 16 Leases

In a nutshell

- Single lessee accounting model
- Assets and liabilities from most major lease agreements to be brought onto the balance sheet
- Right of use model

What is a lease?

- A contract that “conveys the right to control the use of an identified asset for a period of time in exchange for consideration”.
- Throughout the period of use – right to obtain substantially all the economic benefits **and**
- The right to direct the use of the asset
- Exemptions - short life/low value

IFRS 16 Leases - continued

Measure the liability

- Measure the liability as the present value of the lease payments, discounted at the rate charged
- Subsequently, the liability is increased by the unwinding of the discount and reduced by payments made

Measure the right of use asset

- Initial measurement of liability as above;
 - + Lease payments made before commencement date less incentives received
 - + Initial direct costs incurred
 - + Estimated cost of dismantling/removal/restoring
- Amortise over the life of lease and test for impairment

IFRS 16 Leases - continued

Key differences

- Increased number of lease assets and lease liabilities on balance sheet

Implications

- Impact on gearing/covenants
- Reported profit/loss
- No impact on total cashflows, but classification may be different

IFRS 16 Leases - continued

Who?

- Entities with material leases
- Transport
- Retail
- Real Estate
- Financial services
- Mining and construction

When?

- Effective date for any changes is expected to be 1 January 2024

IFRS 9 Financial Instruments

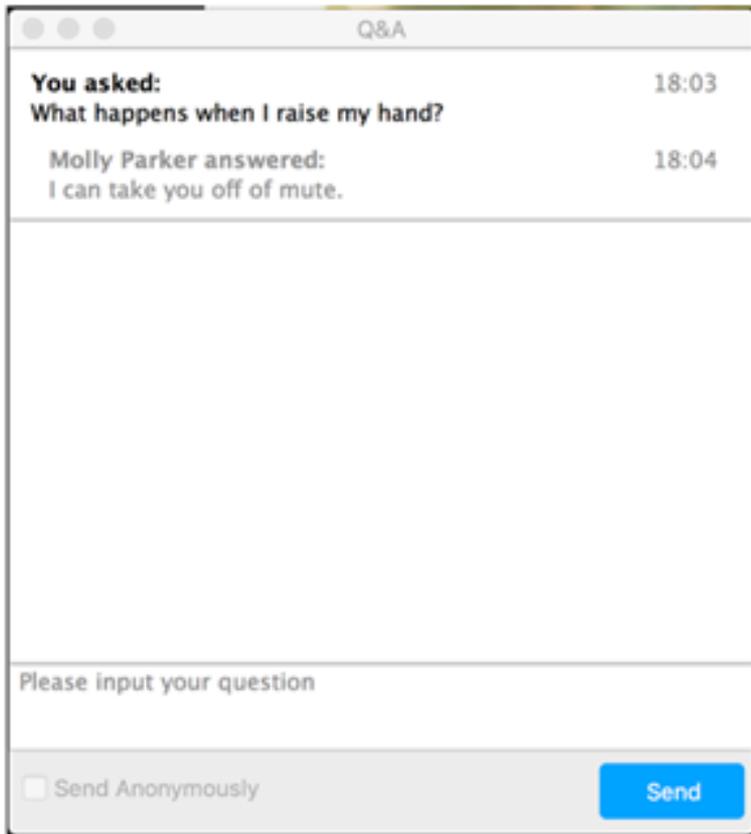
Expected loss model?

- New approach for loans and receivables, including short-term trade receivables
- Recognise a loss allowance based on expected credit losses
- Focuses on the risk of default rather than whether a loss has been incurred

Impact?

- Requires assessment of possible outcomes and probabilities, and IFRS 9 permits 3 separate approaches to measuring expected credit losses
- Earlier recognition of impairment – every receivable carries some risk of default as soon as it originates
- Support?

Ask a question and access resources



The screenshot shows a Q&A window with a title bar containing three window control buttons and the text 'Q&A'. The main content area displays a question and an answer:

You asked: 18:03
What happens when I raise my hand?

Molly Parker answered: 18:04
I can take you off of mute.

Below the answer is a large empty text area. At the bottom of the window, there is a text input field with the placeholder text 'Please input your question'. To the left of the input field is a checkbox labeled 'Send Anonymously'. To the right is a blue button labeled 'Send'. An arrow points from the 'Send' button in the text to the right.

To ask a question

Click on the **Q&A** button in the bottom toolbar to open the question box.

Type in your question and press **send**.

Note: If you wish to ask your question anonymously check the **send anonymously** box shown on the illustration on the left.

Download resources

Access related resources, including the presentation slides at icaew.com/frfwebinars

Financial reporting at your fingertips

Financial reporting

View a range of practical resources on UK GAAP, IFRS and UK regulation of financial reporting, and find out more about the ICAEW Financial Reporting Faculty.

Need to know



The screenshot displays three featured articles in a carousel format. The first article is 'Financial reporting news and insights', which highlights the latest guidance published by the Financial Reporting Faculty. The second article is 'Planning for the 2021/22 reporting season - Practical help for preparers', which provides a guide on what is different about the current reporting season. The third article is '2021 UK GAAP Accounts', which highlights new and modified requirements for preparers of UK GAAP accounts. Each article includes a brief description and a 'View more' button.

We are committed to providing members with practical help in today's complex world of financial reporting.

Visit icaew.com/financialreporting for a range of practical resources on UK GAAP, IFRS and UK regulations.

Financial Reporting Faculty Events 2022

Visit icaew.com/frfevents for details of upcoming events from the faculty and others that may be of interest.

Financial reporting news and insights

Highlights of the latest guidance published by the Financial Reporting Faculty as well as news and insights on current developments in financial reporting.

Discover the latest news and insights in financial reporting in financial reporting at icaew.com/frnews

Faculty resources [icaew.com/financialreporting](https://www.icaew.com/financialreporting) [icaew.com/ukgaap](https://www.icaew.com/ukgaap)

- UK GAAP factsheets
[icaew.com/ukgaapfactsheets](https://www.icaew.com/ukgaapfactsheets)
 - 2022 UK GAAP Accounts (to be published)
 - 2021 UK GAAP Accounts
- UK GAAP FAQs
 - post balance sheet events: adjusting or non-adjusting?
 - Brexit implications on corporate reporting
- UK regulation
[icaew.com/ukregulation](https://www.icaew.com/ukregulation)
 - filing requirements
 - size of company
- Webinar recordings
[icaew.com/frfwebinars](https://www.icaew.com/frfwebinars)
- By All Accounts magazine
[icaew.com/byallaccounts](https://www.icaew.com/byallaccounts)



ICAEW resources [icaew.com](https://www.icaew.com)

- Ukraine hub

[icaew.com/ukraine](https://www.icaew.com/ukraine)

Corporate reporting impacts:
subsequent events, impairment,
asset values, going concern

- Economic crime hub

[icaew.com/economiccrime](https://www.icaew.com/economiccrime)

- ICAEW insights

[icaew.com/insights](https://www.icaew.com/insights)

Register to receive daily briefing



Questions



Eunice McAdam
Partner
Saffery Champness



Matt Howells
Partner
Evelyn Partners

Thank you for attending



Please take the time to fill out our short survey.



- Contact the Financial Reporting Faculty .
- Tel: +44 (0)20 7920 8533
- Email: frf@icaew.com
- Web: icaew.com/frfac

This webinar is presented by the Financial Reporting Faculty.

Financial Reporting Faculty membership gives you access to exclusive premium resources including our factsheets, monthly webinars, bitesize recordings, discount on events and conferences and extensive online resources to support your career.

For more information about faculty membership and our latest joining offers, please visit icaew.com/joinfrf or for more information about Faculties Online, please visit icaew.com/subscribeo

ICAEW will not be liable for any reliance you place on the information in this presentation. You should seek independent advice.

