



2021 UK GAAP ACCOUNTS

UK GAAP FACTSHEET - EXTRACT

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This factsheet highlights new and modified requirements for preparers of UK GAAP accounts. The factsheet deals primarily with new UK GAAP requirements that are mandatory for accounting periods beginning on or after 1 January 2021.

This is an extract from the full factsheet

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Section 1

Introduction

No major changes to UK GAAP requirements

There are no major new or amended standards coming into effect for accounting periods beginning in 2021. Nevertheless, 2021 year-end reporting will still need thorough planning because of the current uncertainties and developments arising from the ongoing effects of the COVID-19 pandemic, Brexit, IBOR reform and the increased importance of climate-related accounting effects as well as disclosure.

Changed circumstances may require entities to review assumptions about the future, apply new accounting policies or revise existing ones (for example accounting for government grants and/or revenue recognition). See the faculty's guide *Planning for the 2020/21 reporting season - Practical help for preparers*.

Those entities with accounting periods beginning **before** 1 January 2021 should refer to the faculty's factsheet *2020 UK GAAP Accounts*.

FRS 101 Reduced Disclosure Framework

Preparers of FRS 101 accounts should be aware that there are several narrow scope amendments to IFRSs effective for accounting periods beginning on or after 1 January 2021. More information on the changes to IFRS will be available in the faculty's factsheet *2021 IFRS Accounts*.

Other regulatory changes affecting financial reporting

There are no major regulatory changes affecting UK entities other than those arising as a direct consequence of Brexit. More information on regulatory requirements affecting financial reporting can be found in the faculty's factsheet *UK Regulation for Company Accounts*.

Section 1	
Introduction	1
Section 2	
Links to regulations	2
Section 3	
COVID-19, Brexit and climate change	3
Section 4	
Overview of regime and summary of changes	5
Section 5	
UK exit from the EU	9
Section 6	
Amendments to FRS 101 – annual improvements	10
Section 7	
Amendments to FRS 102 – Interest rate benchmark reform	11
Section 8	
Amendments to FRS 102 and FRS 105 – COVID-19-related rent concessions	14
Appendix	
Implications of changes in company law arising from the UK leaving the EU	15
Contacts and further help	17

Section 2

Links to regulations

Using the links and margin notes in this document

The margin notes in this factsheet identify relevant sections of standards and other regulations – these sections cannot be considered in isolation when applying them in practice.

You might find it useful to download relevant section(s) of the standard(s) so that you can refer to them when using this document.

Practical tip: finding the up to date regulations

The table provides links to regulations freely available via legislation.gov.uk which, unlike some other sources of company law text, is not updated immediately for recent amendments. When relevant, details of amending legislation are included in the margin notes to this factsheet.

Make sure that you use the right version of the regulations or standards

Standards and regulations are often updated and amended, and may have transitional provisions. It is important to use the right version, and to make sure that it applies to the relevant time period. The standards below are linked to the faculty's standards tracker which shows when standards were amended, and when amendments come into effect. Links are then provided to the version of the standard relevant to specific time periods.

Regulations and guidance

[FRS 100 Application of Financial Reporting Requirements](#)

[FRS 101 Reduced Disclosure Framework](#)

[FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland](#)

[FRS 104 Interim Financial Reporting](#)

[FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime](#)

[European Union \(Withdrawal Agreement\) Act 2020](#)

[Companies Act 2006](#)

[The Accounts and Reports \(Amendment\) \(EU Exit\) Regulations 2019 \(SI 2019/145\)](#)

[The International Accounting Standards and European Public Limited-Liability Company \(Amendment etc.\) \(EU Exit\) Regulations 2019 \(SI 2019/685\)](#)

Section 3

COVID-19, Brexit and climate change

Introduction

In 2021 the issues faced by many businesses in the previous year continue to evolve.

At the time of writing, restrictions imposed as a result of the COVID-19 pandemic are gradually easing in the UK, but the impact of the pandemic is likely to be felt for some time and the future remains uncertain for many. The UK left the EU on 31 January 2020 but entered a transition period which ended on 31 December 2020. As we enter this post-Brexit era, trading relationships have changed and negotiations continue with some entities having to adapt the way they conduct their business. Climate-related effects are increasingly being seen as the most important issue of our time.

When looking at the annual report and accounts as a whole, the impacts of these developments may well be pervasive. The focus of this factsheet is to consider the effect on UK GAAP accounts rather than the additional information that might be included in the 'front half' of the annual report eg, the strategic report.

Users of accounts will be looking for information on how directors have assessed the implications of these events for their business and how they have responded. Regulators have repeatedly emphasised the need for disclosures to be transparent, complete and entity-specific if they are to be useful.

Going concern

Although businesses now have more experience of trading during a pandemic and post-Brexit, they still need to explain any material uncertainties that cast doubt on an entity's ability to continue as a going concern. Resources on how to conduct a going concern review and the implications for the accounts, and particularly the necessary disclosures, can be found at [icaew.com/goingconcern](https://www.icaew.com/goingconcern).

Judgements and uncertainty

Directors will need to review all areas of the accounts that are subject to judgement and estimation uncertainty. Forecasting will play an important role, in particular when conducting impairment and going concern reviews, and the level of uncertainty may require a wider range of scenarios and assumptions to be used. Entities preparing accounts in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* are required to disclose any material judgements and uncertainties in accordance with paragraphs 8.6 and 8.7 of the standard, and disclosure of sensitivities will often also be important.

Practical tip: previous assumptions about the future may no longer be valid

When preparing forecasts it's important to review the validity of the assumptions being used to ensure that they reflect current predictions, not only in respect of COVID-19 and Brexit but also the effects of climate change. A business not immediately affected by climate change still needs to consider its potential impact more broadly when considering, for example, future demand for its products, disruption to supply chains and increased costs.

Events after the end of the reporting period

In an evolving situation it can be challenging to assess whether or not information which comes to light after the reporting date sheds more light on conditions which existed at the reporting date, and therefore whether adjustment or disclosure is required. This may be particularly important for some entities when assessing the timing of impacts associated with COVID-19, for example new government interventions to mitigate the economic impact of COVID-19.

Further faculty guidance

More information is available in the faculty's guide [Going concern considerations – a guide for FRS 102 preparers](#).

Further faculty factsheets

More information on impairment reviews is available in the faculty's FRS 102 factsheet [Impairment of Assets](#).

Further faculty guidance

More information is available in the faculty's guide [How to distinguish adjusting from non-adjusting post balance sheet events under UK GAAP](#).

Other disclosures

Entities should disclose significant judgements made in applying accounting policies that have the greatest effect on the financial statements, providing as much context as possible. Entities will need to consider whether additional items of income and expenditure arising (rather than, for example, the absence of expected income) should be separately disclosed, considering both gains and losses. As some effects of COVID-19 will be pervasive and hard to quantify, the UK's Financial Reporting Council (FRC) discourages entities from splitting discrete items on an arbitrary basis in an attempt to quantify the portion relating to COVID-19 (see [Guidance for companies on Corporate Governance and Reporting](#)). Instead, the FRC encourages narrative disclosure explaining the nature of the items and the uncertainties around them.

To the extent an entity reports Alternative Performance Measures (APMs), these should be appropriately labelled, clearly explained and reconciled to the closest UK GAAP measure. APMs should not be given greater prominence than UK GAAP measures.

Additional resources

The precise manner in which, and the extent to which, COVID-19, Brexit and climate change affect a business will depend on individual facts and circumstances. We have listed below where you can find further, more specific, guidance.

COVID-19

In response to information needs in the light of COVID-19, ICAEW and several regulators (including the UK's Financial Reporting Council) have produced guidance on the accounting and corporate reporting implications of the pandemic.

Dedicated resources can be found on the webpage [Impact of coronavirus on UK GAAP accounts](#).

Brexit

As noted above, the UK's exit from the EU has meant that some entities have had to change the way they do business and there may be an element of uncertainty about future trading. The implications are considered in more detail in the faculty's guide [Brexit - reflections on implications for financial reporting](#).

The end of the transition period has also brought into effect changes in company law that have a consequential impact on UK accounting standards. This is discussed in section 5 of this factsheet.

You can find out more about Brexit impacts within the resources available at [icaew.com/brexit](https://www.icaew.com/brexit).

Climate change

The IASB's educational material [Effects of climate-related matters on financial statements](#) is also relevant for preparers of UK GAAP accounts. The document describes aspects of IFRS Standards – which are based on the same principles as the requirements of FRS 102 and FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime* – that require companies to consider the effect of climate-related risks on recognition, measurement and disclosure in the accounts. The faculty has also produced a short article examining [Reporting on climate change under FRS 102](#).

Reporting on the financial implications of climate-related challenges in financial statements was picked out as a key area in the FRC's 2020 Climate Thematic [Reporting – How are companies developing their reporting on climate-related challenges?](#) Further details of current reporting requirements and guidance, covering both the financial statements and front half of the annual report, are available on the faculty's page [Reporting on climate change](#).

You can find out more about the effects of climate change on business at [icaew.com/climate](https://www.icaew.com/climate)

Further faculty guidance

More information on disclosure is available in the faculty's guide [How to improve disclosures when preparing accounts in accordance with FRS 102](#).

Contacts and further help

Factsheets for faculty members

This factsheet is part of a series designed to provide practical help for Financial Reporting Faculty members in exercising their professional judgement.

The faculty cannot offer interpretations of standards or give views on the application of standards to particular companies or transactions.

The faculty's standards trackers

To check for current standards and recent amendments go to the faculty's standards trackers at: [icaew.com/frfstandardstracker](https://www.icaew.com/frfstandardstracker).

Factsheets

Topics covered by other factsheets include:

- [2020 IFRS Accounts](#)
- [The UK Financial Reporting Regime](#)
- [UK Regulation for Company Accounts](#)

A complete list of factsheets can be found here: [icaew.com/frffactsheets](https://www.icaew.com/frffactsheets)

Factsheet comments and suggestions

To comment on factsheets, or to suggest topics that you'd like to see covered by factsheets, email us at frfac@icaew.com

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

Resources published by the Financial Reporting Faculty may be found at [icaew.com/frf](https://www.icaew.com/frf). Resources include online access to the faculty's publications, webinar recordings and other guidance such as FAQs and the standards trackers. Faculty members also have full access to the IASB's eIFRS resource, including full texts of the standards.

Get full access to Financial Reporting Faculty (FRF) content

Factsheet extracts provide non-Financial Reporting Faculty members with a sample of our premium content. Fully subscribed FRF members receive access to all content via the faculty website: [icaew.com/frf](https://www.icaew.com/frf)

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The Financial Reporting Faculty

The faculty aims to help members keep up to date with the implications of new standards, regulations and practice in financial reporting.

Our international community of financial reporting professionals also contribute to the ICAEW's work in influencing the development of financial reporting concepts, standards and regulation.

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