



FRED 78 DRAFT AMENDMENTS TO FRS 102 & FRS 105 – COVID-19-RELATED RENT CONCESSIONS BEYOND 30 JUNE 21

Issued 11 May 2021

ICAEW welcomes the opportunity to comment on FRED 78 *Draft amendments to FRS 102 & FRS 105 – COVID-19-related rent concessions beyond 30 June 21* published by the Financial Reporting Council in April 2021, a copy of which is available from this [link](#).

We support the proposed amendments to FRS 102 and FRS 105 which would extend the time conditions attached to the accounting treatment for rent concessions granted as a direct consequence of the COVID-19 pandemic.

This response of 11 May 2021 has been prepared by the ICAEW Financial Reporting Faculty. Recognised internationally as a leading authority on financial reporting, the faculty, through its Financial Reporting Committee, is responsible for formulating ICAEW policy on financial reporting issues and makes submissions to standard setters and other external bodies on behalf of ICAEW. The faculty provides an extensive range of services to its members including providing practical assistance with common financial reporting problems.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of sustainable economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 156,000 chartered accountant members in over 149 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

© ICAEW 2021

All rights reserved.

This document may be reproduced without specific permission, in whole or part, free of charge and in any format or medium, subject to the conditions that:

- it is appropriately attributed, replicated accurately and is not used in a misleading context;
- the source of the extract or document is acknowledged and the title and ICAEW reference number are quoted.

Where third-party copyright material has been identified application for permission must be made to the copyright holder.

For more information, please contact: frf@icaew.com

ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
T +44 (0)20 7920 8100 F +44 (0)20 7920 0547 icaew.com

The Institute of Chartered Accountants in England and Wales (ICAEW) incorporated by Royal Charter (RC000246)
Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

ANSWERS TO SPECIFIC QUESTIONS

Question 1. Do you agree with the proposed amendments to FRS 102 and FRS 105? If not, why not?

1. Yes, we agree with the proposed amendments to FRS 102 and FRS 105. We note that in deciding on how far to extend the existing time condition attached to the accounting for COVID-19-related rent concessions, the FRC has considered the current situation and prospects faced by entities in the UK and Republic of Ireland, as well as international developments.
2. We also note the FRC's intention to ensure that the proposed timeframe is considered sufficient to cover periods where concession will be granted to entities in circumstances similar to those when the original amendments were made. Similarly, consideration has been given to limiting the risk that the accounting treatment is applied too broadly as a result of this extension.
3. Having reviewed the FRC's proposals and underlying rationale, we agree that extending the time condition to lease payments originally due on or before 30 June 2022 is appropriate in the circumstances.
4. We note there may be instances when entities issue their financial statements before these amendments are available, and therefore will not be able to apply the accounting treatment to COVID-19 related rent concessions granted on lease payments originally due between 1 July 2021 and 30 June 2022. This means that the accounting treatment for these later rent concessions would need to be reversed in subsequent periods. Although BC11 notes that such circumstances are expected to be rare, we nevertheless suggest that the FRC considers whether retrospective application is appropriate in these circumstances, or whether prospective application would be more appropriate.

Question 2. In relation to the Consultation stage impact assessment, do you have any comments on the costs and benefits identified? Please provide evidence to support your views.

5. We agree with the FRC's conclusion that the proposals will have a positive impact on the relevance and consistency of reporting by entities.