5 key facts about FRS 101 and 102

International Financial Reporting Standards (IFRS) are designed to be a common global 'language' for business. They are progressively replacing the many different national accounting standards and this guide outlines IFRS and what it could mean for you.

1. What are FRS 101 and 102?

These are new accounting standards that are based on International Financial Reporting Standards (IFRS) and IFRS for SMEs (small to medium-sized enterprises. They will replace the current UK GAAP (Generally Accepted Accounting Principles).

The new standards should be considered as completely new accounting frameworks, not just a change in accounting policy. They introduce many changes that accountants need to understand. To give some examples: presentational terms will change, so the 'balance sheet' becomes 'statement of financial position', 'debtors' become 'trade receivables' and 'creditors' become 'trade payables'.

However, the changes are more than cosmetic and will mean that disclosures also change. For example, under FRS 101 exempt entities will no longer be required to report on IAS 7 Statement of Cash Flows, whereas in FRS 102 there are many changes, for example to how some fair value gains and losses are treated.

2. Why are these standards being introduced?

The overall goal is to consolidate the financial reporting frameworks that have evolved across the world into a common global standard. This will make comparability of accounts more straightforward and could bring greater career mobility as accountants will be trained to a single international framework.

Furthermore, the reduced disclosures available in FRS 101 may deliver efficiency savings when preparing year end accounts, without having a negative impact on the quality of the financial reporting.

3. Who will be affected?

In the UK and the Republic of Ireland, all publicly owned limited companies and their subsidiaries with shares listed in an EU-regulated stock exchange have been required to use IFRS since 2005.

It is now the turn of...

- *Subsidiary and parent members of group companies who currently adopt full IFRS. These will have to comply with a cut down version of IFRS - the FRS 101 Reduced Disclosure Framework. The move to FRS 101 will chiefly affect corporate accountants.*
- *Small and medium-sized businesses. These will have to comply with FRS 102, which applies to unlisted companies and subsidiaries of listed companies, as well as public benefit entities such as charities. The move to FRS 102 will chiefly affect accountants in practice.*

4. When does the change-over to FRS 101 and FRS 102 take place?

The clock is already ticking….
The mandatory application date of the revised financial reporting framework to bring UK GAAP into alignment with IFRS will be periods beginning on or after 1st January 2015. If we assume a December 2015 year end, this requires an opening balance sheet to be prepared under FRS 102 as at 1st January 2014 for disclosure services.

5. How will these changes affect the software that accountants use in preparing accounts and returns?

Each vendor will need to have a development plan for helping their customers to meet the new requirements for company disclosure in line with FRS 101 and FRS 102.

IRIS Software Group has an unbeatable track record of being ready for new statutory requirements ahead of the deadline. Already, IRIS software automatically tags to the required iXBRL taxonomy for both UK GAAP and IFRS, and includes transitional guidance and reporting for entities moving to IFRS.

IRIS fully supported IFRS compliance for publicly listed companies in the lead up to the 2005 transition and will now similarly support accountants working with non-listed companies and smaller businesses.