

FRS 105

Triennial Review Quick Guide

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the transition to FRS 102 and beyond

Quick guide to changes made to FRS 105 by FRC Triennial review

Overview

The FRC issued an updated version of FRS 105 in March 2018 which incorporates recommendations and feedback given by stakeholders on improvements that could be made. It also incorporates Appendix B of Section 6 of FRS 105 which deals with the required disclosures for Irish entities that prepare financial statements under FRS 105 and the micro companies regime.

In the main, all changes are positive as it makes it easier for users to apply the rules of the respective Section of the accounting standard.

This guide summarises the main changes that have been made in the March 2018 version.

When are the changes made to the March 2018 version of FRS 105 mandatorily effective from?

Republic of Ireland

- Amendments other than the changes made to introduce the Micro Companies Regime for Ireland legislation
 - o All changes other than the changes made for the micro companies regime legislation in Ireland (as discussed below) are not mandatorily effective until periods beginning on or after 1 January 2019;
- Amendments to FRS 105 to incorporate the Micro Companies Regime Legislation in Ireland
 - o Mandatorily effective for periods beginning on or after 1 January 2017 (can be early adopted for periods beginning on or after 1 January 2015).

United Kingdom

- Amendments other than the changes made to Section 3 and 6 of FRS 105
 - o All changes other than the changes made to Section 3 and 6 of FRS 105 (as discussed below) are not mandatorily effective until periods beginning on or after 1 January 2019;
- Amendments to FRS 105 to Section 3 and 6 of FRS 105
 - o Mandatorily effective for periods beginning on or after 1 January 2017 (can be early adopted for periods beginning on or after 1 January 2015).

Can the changes made in the March 2018 version of FRS 105 be early adopted?

Yes - the changes made can be early adopted. However, if it is early adopted, an entity must adopt all changes made (i.e. an entity cannot pick and choose which changes to adopt).

If an entity decides to early adopt, what disclosures are required?

- No specific disclosures required.

What are the key changes?

- Section 3 of FRS 105: –
 - o Requirement to disclose the registered office, company number, form of company, if the company is due to be wound up that fact should be disclosed and ROI entities only – if a receiver is appointed, then this must be disclosed.

- Section 4 & 5 of FRS 105 – Financial Statement Presentation & Income Statement: –
 - o Amended to reflect the Companies Act 2014 legislative references and requirements as brought in by Companies (Accounting) Act 2017;
- Section 6 – Notes to the Financial Statements: –
 - o UK entities only – requirement to disclose average number of employees;
 - o UK entities only – details of arrangements not on balance sheet but could have impact;
 - o Appendix B inserted which deals specifically with the disclosure requirement for FRS 105 for entities in the Republic of Ireland;
- Section 17 – Liabilities & Equity: –
 - o No requirement to recognise shares issued at an amount equal to fair value of asset received where:
 - There creditor is a direct/in direct shareholder;
 - The extinguishment is in accordance with the original terms;
 - The creditor and entity is controlled both before and after the issue of shares.
- Section 24 – Income Tax: –
 - o **UK only:** The treatment in relation to gift aid rules for charities which allows the tax effect of a payment made under gift aid rules to be considered at year end date, where it is probable it will be paid within 9 months of year end. This is only applicable to UK charities.
- Section 18 – Revenue: -
 - o Further guidance provided in Section 18 – Revenue on the accounting for Principle versus Agent;
 - o Cost incurred in securing a contract can be capitalised where probable contract will be won.

How are the changes made to the March version of FRS 105 to be accounted for – does retrospective or prospective adjustment apply?

- If the clarification of the change to Income tax requiring the close company surcharge to be recognised in the year it arises causes a change in accounting policy, then this should be corrected retrospectively.

What entities would benefit from early adopting March 2018 version of FRS 105?

- No specific advantages.

What do accountants need to know/do?

When preparing Section FRS 105 financial statements be aware that they are preparing these under the March 2018 version of FRS 105.

Consider changing the close company surcharge policy in advance of implementation.

Be aware of the upcoming changes so that the practice is prepared on implementation date.