FRS 102
OTHER CHANGES

Whilst changes to revenue recognition and lease accounting are the most prominent changes arising from FRED 82, there are some other important changes to FRS 102 which should also be highlighted.

	FRS 102 Section	Amendments made
1	**Scope**	This section sets the scope of FRS 102 and specifies the effective dates for the amendments along with the transitional arrangements.
2	**Concepts and Pervasive Principles**	Section 2 of FRS 102 is completely replaced. It now aligns more closely with the IASB's 2018 Conceptual Framework.
2A	**Fair Value Measurement**	The definition of fair value (in the FRS 102 glossary) is altered to be generally consistent with IFRS 13 in IFRS.
3	**Financial Statement Presentation**	Minor wording adjustments were made, including replacing "significant accounting policies" with "material accounting policy information." A new requirement mandates the disclosure of whether financial statements are prepared on a going concern basis, along with confirmation that management has considered future information and made any significant judgments regarding the entity's ability to continue as a going concern.
4	**Statement of Financial Position**	Minor wording changes were made, including renaming "receivables arising from accrued income not yet billed" to "accrued income" when adapted formats are used, and specifying that for a disposal group, the carrying amount to be disclosed is "the carrying amounts of the assets and liabilities within the disposal group" rather than "the underlying assets and liabilities
6	**Statement of Changes in Equity and Statement of Income and Retained Earnings**	Entities with multiple classes of share capital must now disclose dividends paid separately, both in total and per share, for each class of share capital.
7	**Statement of Cash Flows**	This section now includes specific examples of what should be classified as an operating or financing cash flow for the purposes of the cash flow statement. This section now includes additional disclosure requirements over supplier finance, supply chain finance, or reverse factoring arrangements.

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8	**Notes to the Financial Statements**	"Significant accounting policies" wording has been changed to "material accounting policy information". Entities are required to disclose accounting policy information if it is material to understanding other material information. I.e. if users of an entity's financial statements would need it to understand other material information in the financial statements.
9	**Consolidated and Separate Financial Statements**	This section highlights that when a parent changes its ownership in a subsidiary but retains control, the transaction is treated as an equity transaction between the parent and non-controlling interests. The carrying amount of the non-controlling interest is adjusted to reflect the change in interest in the subsidiaries net assets and the difference between this adjustment and the fair value of consideration exchanged is recognised directly in equity and attributed to equity holders of the parent; no gain or loss is recognised, and there is no impact on the carrying amounts of assets or liabilities (including goodwill) as a result of such transactions.
10	**Accounting Policies, Estimates and Errors**	This section introduces new content on developing accounting estimates, highlighting that when items in financial statements involve uncertainty, entities must use judgement and assumptions to estimate amounts based on the most reliable available information, applying measurement techniques and inputs. Accounting estimates may change due to new information or changes in circumstances. The section clarifies that changes in inputs or measurement techniques are accounting estimate changes unless they result from correction of a prior period error. A change in the measurement basis is a change in accounting policy rather than a change in an accounting estimate.
11	**Basic Financial Instruments**	Prohibitions on switching to IAS 39, except for consistency with consolidated financial statements. For first-time adoption of FRS 102 (including newly incorporated entities), IAS 39 can only be applied if it aligns accounting policies with those in the consolidated financial statements in which the entity is included. Updates on fair value measurement guidelines, impairment loss calculations, and enhanced disclosure requirements for expected credit losses for those applying IFRS 9 and fair value instruments.

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12	**Other Financial Instruments Issues**	Prohibitions on switching to IAS 39, except for consistency with consolidated financial statements. For first-time adoption of FRS 102 (including newly incorporated entities), IAS 39 can only be applied if it aligns accounting policies with those in the consolidated financial statements in which the entity is included.
14	**Investments in Associates**	Additional guidance on "establishing significant influence" It has been clarified that the interest in an associate includes the carrying amount determined using the equity method and any financial instruments that form part of the investor's net investment. Financial instruments expected to remain unsettled are considered part of the net investment and losses exceeding the investment in ordinary shares are allocated to other components of the investor's interest in the associate based on their priority in liquidation. If there are indications of impairment, it has been clarified that investors must assess the total carrying amount of an interest in an associate, including financial instruments within the net investment, for impairment as a single asset under Section 27. Goodwill within the investment is also tested as part of the entire investment and not separately. Prior to applying this, investors must first apply Section 11 or Section 12 to such financial instruments, disregarding any adjustments resulting from applying this Section.
16	**Investment Property**	Section 16 has been updated to reflect changes to the leasing model in Section 20, and all references to fair value now align with the new guidance in Section 2A, Fair Value Measurement. - The revision removes the reference to interests held by a lessee under an operating lease, consistent with the amendments in Section 20. - New guidance has been added to assist entities in determining whether the acquisition of investment property qualifies as an asset acquisition or a business combination under Section 19. - Clarification has been provided to separate investment property from other property components unless the fair value of the investment portion cannot be reliably measured. In such cases, the entire property is treated as property, plant, and equipment or as a right-of-use asset, depending on its ownership or lease status.

	FRS 102 Section	Amendments made
		- Investment property held by a lessee can either be accounted for at fair value through profit or loss or transferred to right-of-use assets and measured under the cost model, as per Section 20. The scope of this section has been amended to exclude transferred assets. - The initial measurement of investment property held as a right-of-use asset by a lessee is specified under Section 20. - It has been clarified that when a lessee uses the fair value model to measure an investment property held as a right-of-use asset, only the right-of-use asset—not the underlying property—is measured at fair value. - It has been clarified that property can only be transferred into or out of investment property when the property meets or no longer meets the definition of investment property, and there is evidence of this change. - Some paragraphs have been updated to include the accounting for transfers between right-of-use assets and investment property. These updates specify that when investment property is reclassified to a right-of-use asset, its fair value at the date of the change of use becomes its deemed cost under Section 20, and when a right-of-use asset becomes an investment property, any difference between the carrying amount under Section 20 and fair value on the date of change of use is treated as a revaluation under Section 20.
17	**Property, Plant and Equipment**	This section clarifies that entities should use judgement in determining whether the acquisition of property, plant, and equipment is the acquisition of an asset or a group of assets or is a business combination in scope of Section 19. Making this judgement requires separate application of both Sections 17 and 19. The section now states expected future reductions in the selling price of an item produced using the asset is a potential indicator of technical or commercial obsolescence. The standard now defines the disposal date of an item as the date when control is transferred to the recipient, based on the requirements in Section 23 for determining when a performance obligation is satisfied.

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18	**Intangible Assets other than Goodwill**	Scope was amended to exclude assets arising from contracts with customers under Section 23 from the scope of Section 18. It has been clarified that entities should use judgement in determining whether the acquisition of an intangible asset is the acquisition of an asset or a group of assets or a business combination in scope of Section 19. Making this judgement requires separate application of both Sections 18 and 19. It has been stated that entities must use judgement to decide if assets with both intangible and tangible elements fall under Section 17 or Section 18, based on which element is more significant. 'Asset' has been defined for this Section as a resource controlled by the entity due to past events, from which future economic benefits are expected to flow to the entity. It has been clarified that expenditure not meeting the criteria for recognition as an internally generated intangible asset, such as costs indistinguishable from the cost of developing the business as a whole, must be expensed. The list of non-capitalisable expenditures remains unchanged.
19	**Business Combinations and Goodwill**	The amendments to Section 19 include: - Clarifications on the scope, specifying that it does not apply to joint venture formation within the joint venture's own financial statements or to the acquisition of an asset that does not constitute a business. - New guidance for identifying the acquirer in a business combination, clarifying that it is typically the entity transferring cash, assets, or incurring liabilities, or the one issuing equity instruments. Other factors to consider include voting rights, board appointments and composition, relative size, or who initiated the transaction. The guidance also addresses considerations for newly formed entities and notes that, in certain cases, the legal acquiree may be the acquirer (a reverse acquisition). - Guidance regarding contingent consideration linked to employment, stating that costs for remunerating employees or former owners contingent on providing future services are excluded from the business combination's cost. Whether such payments are part of the business combination or separate transactions (e.g., remuneration) depends on the nature and substance of the arrangement. - Additional clarifications on the recognition of liabilities, contingent liabilities, and intangible assets acquired in a business combination.

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		- Consequential amendments related to leases in which the acquiree is the lessee, following changes to Section 20. - New disclosure requirements, most of which stem from the amendments mentioned above.
21	**Provisions and Contingencies**	This section clarifies that a liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.
24	**Government Grants**	This section highlights that grants (under the performance model) that are received before the performance-related conditions are satisfied are recognised as a liability. Accrual model requirements have been amended to refer to "a grant, or each part of a grant" when applying this model, and to clarify that grants relating to right-of use assets must be recognised on a systematic basis over the expected useful life of the asset.
25	**Borrowing Costs**	Definition of borrowing costs has been updated to interest expense on lease liabilities.
26	**Share-Based Payment**	The amendments to Section 26 include: - Clarification that equity instruments issued for control in business combinations are excluded from Section 26, while those granted to employees for services, and modifications or replacements of existing arrangements due to business combinations, are included. - New guidance on equity-settled share-based payments that are settled in cash (or other assets) instead of equity instruments, as well as the measurement of cash-settled share-based payments. - New guidance on the classification of share-based payment arrangements to address situations where the counterparty has a choice of settlement related to their employee tax obligations
27	**Impairment of Assets**	Right-of-use assets are now specifically included within the list of classes of assets for which disclosure is required of the amount of an impairment loss recorded or reversed during the period and line item(s) in the income statement where this loss or reversal are presented is required, providing alignment with the amended Section 20 Leases.

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28	**Employee Benefits**	It has been stated that "national" government bond yields should be used to discount defined benefit obligations in certain situations. It has been clarified that management costs are deducted from the return on plan assets in the remeasurement of the net defined benefit liability. Changes to disclosures were made in relation to defined benefit pension plans aimed at providing more useful information to users.
29	**Income Tax**	Minor clarifications on deferred tax recognition in business combinations. New guidance on uncertain tax treatments, including a requirement that entities should assume that tax authorities will scrutinise the amounts in question.
33	**Related Party Disclosures**	This section specifically states that it is only disclosures required by paragraph 33.9 that need not be provided for transactions between wholly owned members of a group, i.e., other disclosures such as disclosure of controlling party relationships are required. This section has also been amended to specify that disclosures related to related party transactions must now include information about commitments.
35	**Transition to this FRS**	The amendments to Section 35 include: - Clarification that the transition requirements in Section 35 apply to first-time adopters of FRS 102, regardless of the previous framework used (explicitly including entities transitioning from FRS 101 and FRS 105). - New requirements for the treatment of borrowing costs, development costs, and financial instruments upon transition. - A restriction on the previous option to adopt IAS 39 recognition and measurement policies, now limited to situations where this is consistent with consolidated financial statement policies. - New exemptions on transition related to decommissioning liabilities included in the cost of right-of-use assets, development costs, leases, and revenue from contracts with customers. - New disclosure requirements that mandate reporting on transitional exemptions and material changes not covered in reconciliations.