



Changes to UK Accounting Standards

Businesses need to consider now the impact of changes on their accounts.

UK GAAP is going through a period of change with existing UK accounting standards being replaced with a single standard, known as FRS 102. The new standard derives from a hybrid of International Financial Reporting Standards and current UK GAAP.

WILL THE CHANGES AFFECT MY ACCOUNTS?

- Changes come in to effect from 1 January 2015 and companies with accounting periods commencing on or after 1 January 2015 will be the first to have to adopt.
- Although this may seem some time away you will need to consider that it will be necessary to restate the comparative figures in these accounts as well as the comparative year opening balances and therefore if you are required to adopt the standard **you should be considering the effects now.**

CHANGES TO UK GAAP

Set out below is the current structure compared with the new structure:

	Current	Future
Small entities	FRSSE	FRSSE (subject to any changes in relation to EU Directives)
All other entities	Other entities under UK GAAP Current SSAP's and FRS's	FRS 102 (New UK GAAP)
		FRS 101 (IFRS with reduced disclosure)
EU listed consolidated / Any entity voluntarily choosing to apply	IFRS	IFRS



Contact us and speak to a Partner for more information

Contact our office: Bournier Bullock, Sovereign House, 212-224 Shaftesbury Avenue, London, WC2H 8HQ Tel: +44 (0)20 7240 5821 Fax: +44 (0)20 7240 5827

Email: info@bournierbullock.co.uk Website: www.bournierbullock.co.uk



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NEW ACCOUNTING STANDARDS

There are actually three new standards that have been issued as follows:

- **FRS 100: APPLICATION OF FINANCIAL REPORTING REQUIREMENTS**

Provides guidance to enable companies to decide which framework they should use in preparing their financial statements. It looks at the Companies Act and other legislation to decide whether the company is required to adopt IFRS. If there is no requirement it considers whether the company is eligible to adopt the FRSSE and if not then accounts will be produced under FRS102.

- **FRS 101: REDUCED DISCLOSURE FRAMEWORKS**

This is IFRS with reduced disclosure requirements. It is available to subsidiaries or parent companies that are included in publicly available consolidated accounts, provided there is no objection from a shareholder.

The standard sets out a number of disclosure exemptions for eligible companies where they would be required otherwise to prepare accounts under IFRS.

- **FRS 102: THE FINANCIAL REPORTING STANDARD APPLICABLE IN UK AND REPUBLIC OF IRELAND**

Probably the largest ever change to UK GAAP, FRS102 is a complete accounting framework that will replace the current UK regime of SSAPs and FRSSs. The standard is split in to 35 chapters which cover all financial statement recognition, presentation and disclosure requirements.

CHARITIES AND NOT-FOR-PROFIT ORGANISATIONS

The Charities Commission have stated that until a new SORP has been issued “existing UK GAAP” must be followed by all charities and early adoption of FRS 102 is not permitted. The SORP 2005 is inconsistent in parts with FRS 102 and therefore attempting to apply FRS102 in conjunction with the SORP could be problematic.

The new Charity SORP incorporating the requirements of FRS 102 is expected to be finalised in June 2014 and will be used for accounting periods commencing on or after 1 January 2015.

Pension scheme and LLP SORPs are also expected to be released in time to be used for accounting periods commencing on or after 1 January 2015.

TRANSITIONAL ARRANGEMENTS AND EARLY ADOPTION

Early adoption is permitted and there are certain transitional arrangements that might be advantageous to a business. However this should be considered carefully and negative consequences of adopting early should be assessed.

A new business may want to adopt early to save resources in converting their financial statements when mandatory adoption is required.

A growing business producing accounts under the FRSSE may lose eligibility as it grows beyond the threshold. Consideration should be given to adopt early to save moving firstly to full UK GAAP and then FRS102, when required to do so.

FURTHER INFORMATION

It is important that you assess the impact that the new framework may have on your business and plan ahead. For more information on FRS 102 please see our separate factsheet entitled “FRS 102: The Financial Reporting Standard applicable in the UK and Ireland” which is available from our website at www.bournerbullock.co.uk. If you would like to talk through any of these points please speak to your usual representative.

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Contact our office: Bournier Bullock, Sovereign House, 212-224 Shaftesbury Avenue, London, WC2H 8HQ **Tel:** +44 (0)20 7240 5821 **Fax:** +44 (0)20 7240 5827

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