Financial Reporting Council

Feedback Statement and Impact Assessment

Amendments to FRS 101 Reduced Disclosure Framework – 2023/24 cycle

August 2024

The Financial Reporting Council Limited is a company limited by guarantee.
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1. Executive Summary

(i) The Financial Reporting Council's (FRC) overriding objective in setting accounting standards is to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users' information needs. FRS 101 is an optional reduced disclosure framework that is intended to enable cost-effective financial reporting within groups, particularly those applying IFRS Accounting Standards in their consolidated financial statements.

(ii) In December 2023, the FRC issued FRED 85 *Draft amendments to FRS 101 Reduced Disclosure Framework – 2023/24 cycle*, which proposed minor amendments to FRS 101 for consistency with IAS 1 *Presentation of Financial Statements*. The FRC received ten responses to FRED 85, from accountancy firms and accountancy professional bodies. More than half of the respondents did not agree with our proposal in FRED 85, which would have exempted qualifying entities from disclosures arising from the IASB's project on Supplier Finance Arrangements. Following this stakeholder feedback, the FRC has introduced a conditional exemption for qualifying entities in respect of certain disclosures about supplier finance arrangements required by IAS 7 *Statement of Cash Flows*.

(iii) Some respondents also provided detailed suggestions on the proposed drafting of paragraph A2.9B(c) and its related footnote, suggesting that further consistency with the IAS 1 requirements was required. The FRC has considered this stakeholder feedback in finalising the amendments to FRS 101.

(iv) In August 2024, the FRC issued *Amendments to FRS 101 Reduced Disclosure Framework – 2023/24 cycle*, finalising the proposals set out in FRED 85.

(v) No other disclosure exemptions were provided in this 2023/24 cycle in relation to changes in IFRS Accounting Standards. The FRC expects that the disclosures required following the amendments to IAS 1 and to IAS 21 *The Effects of Changes in Foreign Exchange Rates* will be applicable only to a subset of preparers and in a limited set of circumstances; they should not be onerous for FRS 101 preparers to provide.

(vi) Overall, the FRC believes that FRS 101, as a reduced disclosure framework, will continue to have a positive impact on the cost-effectiveness of the preparation of financial statements.

2. Introduction and background

1. The purpose of the FRC is to serve the public interest by setting high standards of corporate governance, reporting and audit and by holding to account those responsible for delivering them.

2. The FRC's overriding objective in setting accounting standards is to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users' information needs.

3. FRS 101 *Reduced Disclosure Framework* is an optional standard that is intended to enable cost-effective financial reporting within groups, particularly those applying IFRS Accounting Standards in their consolidated financial statements. Therefore, it is only applied by those qualifying entities that consider it a cost-effective option for the preparation of their individual financial statements.

4. The FRC issued FRED 85 *Draft amendments to FRS 101 Reduced Disclosure Framework – 2023/24 cycle* on 5 December 2023, with the comment period closing on 4 March 2024.

5. The FRC received ten responses to FRED 85. Copies of the responses received to FRED 85 can be found on the FRC website.

6. The table below sets out the number and category of respondent to the consultation.

Table 1: Category of Respondent

Category of Respondent	Number
Accountancy firms	6
Accountancy professional bodies	4
Total	**10**

3. Summary of Responses

Responses to the public consultation

7. The purpose of this Feedback Statement is to summarise the comments received in response to FRED 85 (ten responses), and the FRC's response to them.

8. In analysing the responses, judgement has been applied in categorising the comments.

9. FRED 85 posed three questions. The feedback and the FRC's response are summarised below.

Question 1: Do you agree with the proposed amendments to FRS 101? If not, why not?

Table 2: Summary of responses to question 1

Category of Respondent	Number
Agreed	4
Agreed with reservations	3
Disagreed	3
Total	**10**

10. FRED 85 proposed to update paragraph A2.9B(c) of FRS 101, which refers to the principle set out in paragraph 69(d) of IAS 1 *Presentation of Financial Statements,* and its related footnote, which refers to the early-adoption requirements for *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1).

11. Four respondents agreed with these proposed amendments. The remaining respondents suggested improvements to the proposed drafting of paragraph A2.9B(c) and its related footnote.

FRC response

12. The FRC has revised the amendment to paragraph A2.9B(c) to make further incremental improvements and to ensure greater consistency with paragraph 69(d) of IAS 1.

13. In light of the time-limited relevance of the related footnote (which refers to early-adoption requirements for periods beginning before 1 January 2024), and the mixed views of respondents as to how best to redraft it, the footnote has been deleted.

Question 2: Do you agree that no other amendments to FRS 101 are required for the IASB projects outlined in paragraph 7 of the Basis for Conclusions?

Table 3: Summary of responses to question 2

Category of Respondent	Number
Agreed	4
Disagreed	6
Total	**10**

14. The majority of respondents disagreed with our proposal in FRED 85 that no other amendments to FRS 101 are required in this 2023/24 cycle. Six respondents suggested that qualifying entities should provide some of the disclosures about supplier finance arrangements arising from IAS 7 *Statement of Cash Flows*, on the grounds that, when applicable, such information is relevant and useful to users of qualifying entities' financial statements. This was consistent with stakeholder feedback to similar proposals included in FRED 84 *Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Supplier finance arrangements*. An amendment to FRS 101 would be required in order to mandate such disclosures.

15. Respondents' views differed somewhat as to whether qualifying entities should make these disclosures in all cases, or only when equivalent disclosures were not included in the consolidated financial statements in which the qualifying entity is included.

FRC response

16. Taking this feedback into account and for consistency with *the Periodic Review 2024 amendments* to FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (which finalised the proposals included in FRED 84), the FRC has amended paragraph 8(h) of FRS 101, requiring a qualifying entity to make the disclosures about supplier finance arrangements required by IAS 7 (with one exception), unless equivalent disclosures are included in the consolidated financial statements in which the qualifying entity is included.

17. The exception is that an unconditional disclosure exemption is provided from the requirement of paragraph 44H(b)(ii) of IAS 7 to disclose the amounts of financial liabilities that are part of a supplier finance arrangement for which suppliers had already received payment from the finance providers. The corresponding disclosure requirements of FRS 102 omit this requirement.

Question 3: Do you agree with the conclusion in the consultation stage impact assessment? If not, why not?

Table 4: Summary of responses to question 3

Category of Respondent	Number
Agreed	4
Agreed with reservations	2
No specific comments provided	4
Total	**10**

18. Most respondents agreed with our conclusion in the consultation stage impact assessment. Of those that commented, all agreed that FRS 101 will continue to have a positive impact on the cost-effectiveness of the preparation of financial statements.

19. Two respondents specifically stated that they considered that the benefits of requiring qualifying entities to disclose information about their supplier finance arrangements were likely to outweigh the costs of providing this information, should such a requirement be introduced.

FRC response

20. The FRC has taken account of this feedback in finalising the Impact Assessment and the amendments to FRS 101 as part of the 2023/24 cycle.

Other issues

21. Respondents took the opportunity to provide additional feedback as part of the FRED 85 consultation. In particular, one respondent suggested that disclosures about liquidity required by IFRS 7 *Financial Instruments: Disclosures* might be relevant for qualifying entities that are not financial institutions, which are currently exempted from such disclosures. This respondent encouraged the FRC to review FRS 101's principles, with a particular focus on the users of FRS 101 financial statements and their information needs.

22. Another respondent encouraged the FRC to keep the economic and geopolitical environment under review in considering future amendments to FRS 101.

FRC response

23. The FRC welcomes this feedback from respondents, which will help to inform any future review of the principles and the extant disclosure exemptions of FRS 101.

4. Impact Assessment

24. The FRC is committed to a proportionate approach to the use of its powers, making effective use of impact assessments and having regard to the impact of regulation on small enterprises.

25. Because FRS 101 is an optional standard that is intended to enable cost-effective financial reporting within groups, it is only applied by those qualifying entities that consider it a cost-effective option for the preparation of their individual financial statements.

26. FRS 101 requires an entity to apply IFRS Accounting Standards that have been adopted in the relevant jurisdiction, subject to specified disclosure exemptions. Therefore, without intervention to amend FRS 101, an entity applying FRS 101 would need to provide all the disclosures required by any new IFRS Accounting Standard, or amendment to an IFRS Accounting Standard, adopted in the relevant jurisdiction.

27. The FRC carries out an annual review of FRS 101 to provide additional disclosure exemptions as IFRS Accounting Standards evolve and to respond to stakeholder feedback about other possible improvements.

Amendments to FRS 101

28. As a result of performing the 2023/24 annual review of FRS 101, amendments were made for consistency with IAS 1, to provide a disclosure exemption from presenting certain comparative information about right-of-use assets, and to accommodate a conditional exemption for qualifying entities in respect of certain disclosures about supplier finance arrangements required by IAS 7.

29. By removing the requirement to provide certain comparative information about right-of-use assets, the FRC expects that qualifying entities will benefit from the opportunity for minor cost savings in the preparation of the financial statements.

30. The FRC considers that the conditional disclosure exemption in relation to supplier finance arrangements provides a proportionate solution to users' information needs by ensuring that material information about supplier finance arrangements will be provided, whether on a group basis or for the individual company. This solution is also the most consistent with the amendments made to FRS 102 in respect of supplier finance arrangements as part of the *Periodic Review 2024 amendments*. Whilst providing these disclosures will involve some cost to preparers, the FRC expects the benefit to users to exceed that cost.

31. The FRC concluded that no other new disclosure exemptions should be provided in FRS 101 as a result of the 2023/24 cycle. Therefore, qualifying entities will be subject to the new disclosure requirements in IAS 1, IAS 21 and (for financial institutions) IFRS 7.

32. The FRC expects that the new disclosures required following the amendments to IAS 1 and IAS 21 will be applicable only to a subset of preparers. When applicable, which is expected to

be in a limited set of circumstances, the FRC expects that these new disclosures should not be onerous for FRS 101 preparers to provide and should provide relevant information to the users of the financial statements. The FRC expects the benefit to users to exceed the cost to preparers.

Conclusion

33. Overall, the FRC believes that FRS 101, as a reduced disclosure framework, will continue to have a positive impact on the cost-effectiveness of the preparation of financial statements and reduce burdens on preparers.

Appendix A: List of respondents to consultation

1. PricewaterhouseCoopers LLP
2. Deloitte LLP
3. Chartered Accountants Ireland
4. Ernst & Young LLP
5. KPMG LLP
6. ICAS
7. Mazars LLP
8. RSM UK Tax and Accounting Limited
9. ACCA
10. ICAEW

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