



# THE POWER OF BEING UNDERSTOOD

## Company Law changes – amendments to FRS 102 Section 1A

From periods starting on or after 1 January 2016, to align with the revisions in Company Law, FRS 102 is amended to:

- prohibit the reversal of past impairment losses for goodwill;
- restrict the useful economic life of intangible assets (including goodwill) to not more than ten years in the exceptional circumstances when the useful economic life cannot be reliably estimated;
- require some minimum disclosures about provisions and contingencies, partially removing the 'seriously prejudicial' exemption; and
- reflect other minor amendments.

SECTION	TOPIC	SUMMARY OF AMENDMENT
1AA	Financial position	The IFRS balance sheet format may be adopted provided certain line items as set out in Section 1AA.3 are presented. The descriptions and ordering of those line items may be amended providing the information given is at least equivalent to that required by the balance sheet format had it not been adapted. Where this option is taken current assets and liabilities are presented separately from non-current assets and non-current liabilities as defined by the glossary.
1AB	Statement of comprehensive income and income statement	Presentation consistent with IFRS may be adopted provided certain line items set out in Section 1AB.3 are given. The descriptions and ordering of those line items may be amended providing the information given is at least equivalent to that required by the profit and loss account format had it not been adapted.
1A	Statement of cash flows	Small entities are not required to present a statement of cash flows.
1AC	Notes to the financial statements	Explanatory note highlighting that the 2015 Regulations require the notes to be presented in the order in which, where relevant, the items to which they relate are presented in the statement of financial position and in the income statement.
3	Financial performance	Reference to true and fair view rather than fair presentation.
11-12	Financial instruments	Prohibits, when the recognition and measurement requirements of IFRS 9 are applied, fair value through profit and loss measurement for certain financial assets that are not permitted to be measured on that basis by paragraph 36 Schedule 1 to the Regulations. This relates to those instruments that cannot be measured at fair value through profit and loss under IAS 39 but would be measured on that basis in accordance with IFRS 9, because IFRS 9 has not yet been endorsed for use in the EU  NB that additional disclosures have been added to this section to comply with the Act however this is not as a result of the new regulations.

SECTION	TOPIC	SUMMARY OF AMENDMENT
13	Inventories	<p>Prohibits the use of fair value less costs to sell when measuring inventories unless it is a more relevant measure of the entity's performance because the entity operates in an active market where sale can be achieved at published prices and inventory is a store of readily realisable value.</p> <p>Amends the measurement of inventories held for distribution at no or nominal consideration to the lower of cost adjusted, when applicable, for any loss of service potential and replacement costs.</p>
18-19	Intangible Assets other than Goodwill / Business combinations and goodwill	<p>In rare cases where a reliable estimate of the useful life cannot be determined, the life shall not exceed 10 years.</p> <p>Clarifies that this should be exceptional circumstances and hence not the norm.</p> <p>If the UEL of goodwill cannot be reliably estimated an entity now needs to disclose supporting reasons for the period chosen.</p>
27	Impairment of assets	Impairment on goodwill shall not be reversed.
33	Related party disclosures	Definition of related parties transactions has been extended to include a member of the group that provides key management personnel services to the entity and key management personnel services provided by the entity to its parent company. However this is only applicable if those transactions are not under normal market conditions.
35	Small entities	<p>Provisions available to small companies (as defined in FRS 102 Appendix IV) that choose to apply the small entities regime.</p> <p>Additional transitional exemptions for periods commencing before 1 January 2017 set out in section 35 from restating the comparatives in respect of equity settled share based payments, fair value measurement of financial instruments and financing transactions involving related parties.</p>

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