UHY

It's as simple as that: FRS 102

Helping you prosper

It’s as simple as that is an ongoing series of easy-to-understand guides designed to make sense of complex accounting and tax topics. From regulatory changes to industry-specific insights, we will break it all down into clear, practical advice that you can not only understand but implement immediately if required.

There will be no jargon to confuse you, just everything you need to know to prosper.

It’s as simple as that: FRS 102 changes

Big changes are coming to UK Generally Accepted Accounting Practice (GAAP); some of the most significant in recent years. From 1 January 2026, new rules under the Financial Reporting Standard 102 (FRS 102) will apply to most businesses.

The two biggest shifts

- Most leases will move onto the balance sheet as a right-of-use (RoU) asset and a matching liability
- Revenue will be recognised using a new five-step model, making the timing and treatment clearer and more consistent.

These changes will alter how your accounts look, how results are interpreted and how stakeholders respond.

Act now to stay ahead. With less than 18 months until the changes come into effect, now is the time to prepare. Leaving it too late risks last-minute surprises, disruption and unnecessary strain on your finance team.

What’s changing?

Leases on the balance sheet

The old distinction between operating and finance leases will disappear. Almost all leases, from property to vehicles and equipment, will now go on the balance sheet, recorded as a RoU with a matching liability. Instead of a single rental expense, you’ll see depreciation and interest, which lifts Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) but increases financing costs.

Revenue recognition

A new five-step model, aligned with International Financial Reporting Standard 15 – Revenue from Contracts with Customers (IFRS 15) changes how and when revenue is recognised. The focus is on performance obligations: revenue is recorded as goods or services are delivered, not simply when they are transferred. This will mean reviewing contracts more carefully and documenting judgements more clearly.

Other areas

There are also smaller but important changes, including fair value measurement (aligned with IFRS 13), business combinations (updated in line with IFRS 3), and the conceptual framework (reflecting the International Accounting Standards Board’s latest definitions). There are also new rules for uncertain tax positions, and additional supplier finance disclosures effective one year earlier, from January 2025.

Understanding these changes now will give you time to model the impact, get your data in order and work with UHY to make sure you’re fully prepared before they take effect.

When does it apply?

Effective date: Periods beginning on or after 1 January 2026.

Year ends: For December year-ends, the first set of revised accounts will be December 2026. A March year-end adopts from April 2026, June from July 2026, and so on.

Comparatives: 2025 figures won’t normally be restated, so the change will appear as a visible ‘step change’ in 2026.

Earlier change: Supplier finance disclosure rules apply from January 2025.

Transitional approach: For leases, you'll make a one-off adjustment to opening reserves, rather than restating previous years.

For revenue, you can choose between updating last year's figures to match the new rules (full approach) or you can make a one-off adjustment to opening reserves, rather than restating previous years (modified approach).

Leases: why it matters?

- Your balance sheet will grow, with new assets and liabilities.
- EBITDA and other key ratios will shift, potentially affecting covenants and bonus schemes.
- Profit profiles may look different, especially where costs are front-loaded.
- Your stakeholders will have questions, and you'll need to have clear answers.

If handled early, the transition is a chance to improve transparency and strengthen processes. Left too late, it risks disruption, confusion and unnecessary strain on your finance teams.

Revenue recognition: why it matters?

- Revenue may now be recognised earlier or later than before, changing profit patterns.
- Greater scrutiny of contracts means performance obligations need to be clearly identified and documented.
- Businesses will need to record their assessments, bringing extra work for finance teams.
- Stakeholder expectations will change. Boards, investors and lenders may need help understanding the new numbers.

If addressed early, this is an opportunity to improve contract clarity and enhance financial reporting. Leave it too late, and you risk misstatements, avoidable stakeholder questions and unnecessary pressure at year-end.

We're here for you

These new FRS 102 rules are complex, but the solution doesn't have to be. We're here to make the complex simple. We'll support you with the calculations, adjustments and disclosures, leaving you with accurate accounts, fewer headaches and more time to run your business.

At UHY, we make the complex simple, and we're here to guide you through every stage of transition. Our experts can:

- Carry out lease calculations and impact modelling
- Review your revenue contracts using the new five-step process, explain what the changes mean for your business, and help you update your revenue calculations.
- Provide tax insight on dilapidations, high-emission vehicles and transitional adjustments
- Draft compliant disclosures and communication plans

Don't wait until 2026 is upon you. Even if you don't legally need an audit, you may still have other statutory or stakeholder requirements, and when it comes to compliance, it's better to be safe than sorry.

Speak to UHY now and let us help you get ahead, so 2026 arrives with confidence, not last-minute panic. Contact **Priti Mistry, our Director leading Financial Reporting Services**, or your local UHY expert, and we'll guide you through the changes, support with calculations and disclosures, and make sure you're fully prepared well before audit time.

With the right preparation, and the right advisers, you can approach 2026 with clarity and confidence. **It's as simple as that.**

Priti Mistry
Director
p.mistry@uhy-uk.com
+44 20 7216 4631

linkedin.com/company/uhy-hacker-young
@uhy_uk
facebook.com/UHYUK