



## The accounting transition to FRS 102 New UK GAAP

# Are you ready for the new financial reporting regime?

The Winter 2014/15 issue of our Update publication provides a summary overview of the key changes that can be expected as a result of the transition to new UK GAAP. This insert sets out to assist you in your preparations for dealing with the change.

The first set of accounts under the new framework will require comparatives to be prepared in accordance with FRS 102 and the comparatives will need to start from an opening position, also prepared on the new basis. All comparative information, monetary amounts as well as narrative and descriptive information, will need to be re-stated.

Therefore, your 'date of transition' to FRS 102 is the beginning of the earliest period for which you present full comparative information in accordance with the new Standard, in your first financial statements that conform to the new Standard. A company with a 31 December year end that has not adopted the new

standard early has a transition date of 1 January 2014, which is therefore the first date as at which the company needs to have measured its assets and liabilities under the new rules. A company with a 31 March year end will have a transition date of 1 April 2014, and so on.

Note, though, that there are some practical exemptions from the principle of requiring prior year adjustments for all changes of accounting policy that arise on the first application of the new Standard.

In your first time FRS 102 accounts, you are required to provide reconciliations between amounts reported under previous GAAP (in your preceding statutory accounts) and the equivalent items measured under the new Standard. These reconciliations must distinguish the correction of any errors in relation to your entity's previous GAAP financial statements from changes in accounting policies.

### KEY COMPONENTS OF YOUR FIRST FRS 102 ACCOUNTS (assuming a 31 December year end)

1 January 2014 Date of transition to FRS 102	31 December 2014 Last current GAAP financial statements	31 December 2015 First mandatory FRS 102 financial statements
	Comparative profit and loss account restated to FRS 102 Reconciliation to previously published net result	First FRS 102 profit and loss account
Opening reserves restated to FRS 102 Reconciliation to previously published 2013 equity	Comparative balance sheet restated to FRS 102 Reconciliation to previously published 2014 equity	First FRS 102 balance sheet

### PREPARING FOR CHANGE

Although the actual preparation of the first financial statements under the new regime is a long way ahead, the preparation of transition date and comparative information will be easier while the data and the transactions are fresh and to hand. And, as we explain in our accompanying Update publication, the accounting changes could also have significant

commercial consequences. It is therefore important that you consider your situation and begin planning **now**, if you have not already done so, to make your transition as painless as possible.

Below are the steps we consider would ensure a smooth transition to FRS 102 and that we suggest you follow:



It is important that you consider your situation and begin planning now!



WHEN?	WHAT SHOULD YOU DO?
As soon as is practical	<b>Prepare transition date financial information</b>
	Identify any assets or liabilities that will have to be recognised for the first time on transition.
	Obtain or prepare necessary valuations as at your transition date of assets and liabilities: <ul style="list-style-type: none"> <li>• that are to be recognised for the first time under FRS 102 such as derivative financial instruments; and</li> <li>• where either no valuation is required under existing UK GAAP, or where a different basis of valuation is required.</li> </ul>
	Review your existing accounting policies for compliance with FRS 102's requirements, identify any necessary changes to accounting policy, and make appropriate choices between any permitted alternatives.
	Prepare the opening balance sheet under the new framework.
In parallel with or very shortly after preparing transition date financial information	Prepare the reconciliation of equity between old UK GAAP and the current framework.
	<b>Prepare comparative information</b>
	Complete the same as above, but this time with the following outcomes: <ul style="list-style-type: none"> <li>• income statement and statement of financial position in accordance with the new regime; and</li> <li>• reconciliations to the published old UK GAAP financial statements.</li> </ul> It might be a good idea to do this in parallel with or shortly after preparing your last (old) UK GAAP accounts.
Before your comparative balance sheet date	Consider the impact of the identified and proposed changes on any commercial arrangements, for example: <ul style="list-style-type: none"> <li>• whether any significant change in the assets and liabilities will affect your banking covenants or other security arrangements; or</li> <li>• whether any significant change in the profit and loss account will affect bonus or commission arrangements, or profit- or cost-sharing arrangements with other group entities or again banking or similar covenants.</li> </ul>
	Discuss potential amendments to these agreements with counterparties, and amend as necessary.
Before your comparative balance sheet date	<b>Review all loan and funding arrangements payable;</b> agree and put in place new agreements confirming "due in more than one year" repayment dates where possible and as necessary. <b>Consider hedge accounting</b> and necessary documentation.
If you are a subsidiary considering the opportunities for reduced disclosures	<b>Allow sufficient time for concerned shareholders to object;</b> notify shareholders in writing of the planned adoption of a reduced disclosure framework where such is intended to be adopted.
After the balance sheet date of your first FRS 102 accounts	<b>Prepare your first set of new UK GAAP accounts!</b>

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## THE NEXT STEP

For further details and advice on your preparations, please refer to our technical bulletin on 'Preparing for change', which can be viewed and downloaded on our website at: [www.uhy-uk.com/new-uk-gaap-preparing-for-change](http://www.uhy-uk.com/new-uk-gaap-preparing-for-change).

The process of moving from one GAAP to another is a complex one and should be considered from all angles; including the

effects of taxation, distributable profits and, where you are part of a group, the group's needs too.

For further information or to discuss transition to the new UK GAAP in relation to your specific circumstances, please contact your usual UHY partner.

Alternatively, read more about us on our website [www.uhy-uk.com](http://www.uhy-uk.com).

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