Summary of 2024 amendments to FRS 102

On 27 March 2024, the FRC released “The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs – Periodic Review 2024” (FRS 102 (2024)). These amendments are designed to enhance the quality of financial reporting and bring closer alignment with International Financial Reporting Standards (“IFRS”).

Most of the amendments are effective for accounting periods beginning on or after 1 January 2026, although new disclosures requirements for supplier finance arrangements apply for accounting periods starting on or after 1 January 2025. Early application is allowed.

The most important changes are a new revenue recognition model in Section 23 Revenue from Contracts with Customers (based on IFRS 15), and new lease accounting model in Section 20 Leases (now based on IFRS 16). Section 2 Concepts and Pervasive Principles is more aligned with the IFRS Conceptual Framework and includes a new Section 2A Fair Value Measurement (now more closely aligned with IFRS 13). Various improvements, clarifications and consequential changes are also made to several other sections.

This publication includes tabular summaries of the most important changes in FRS 102. These summaries offer a convenient way to identify what has changed Section by Section. They are intended to help readers to identify the specific changes that may be relevant to a specific reporting entity in order to prioritise further assessment. The more substantive changes are set out in greater detail, and the other clarifications are summarised based on expected impact.

The summaries do not contain particulars of the requirements or amendments applicable to:

- Small entities
- Public benefit entities
- Entities in the Republic of Ireland

The summaries are organised into three categories based on the significance of the amendments.

A. Sections with fundamental changes

FRS 102 (2024) completely replaces the Sections on revenue and lease recognition - Section 23 Revenue from Contracts with Customers and Section 20 Leases. These Sections are now substantially, though not completely, aligned with IFRS. The new requirements will have a significant impact on many FRS 102 preparers. These summaries therefore go into more detail on the new requirements.

B. Sections with incremental improvements

FRS 102 (2024) also introduces new or amended guidance to many other Sections which is intended to improve the Standard but without changing it fundamentally. These changes are expected to impact some FRS 102 preparers in practice but in a more limited way. These summaries include a high-level overview of what is new and/or changed in the relevant Section.

C. Sections with minor clarifications

FRS 102 (2024) also introduces numerous minor clarifications and consequential changes. These changes are not intended or expected to have a substantive effect in practice but this cannot be excluded in all cases. These summaries point out the most relevant changes in the Sections not covered in the previous categories.

It should be noted that:

- Section 5 Statement of Comprehensive Income and Income Statement has minimal consequential wording changes and other minor amendments mostly related to small entities requirements which are not covered in these summaries.
- Section 15 Investments in Joint Ventures has minor wording amendments, mostly related to the update of references to the new Section 2A Fair Value Measurement.
- There are no amendments to Section 30 Foreign Currency Translation.
- Amendments to Section 31 Hyperinflation and Section 32 Events after the End of the Reporting Period are limited to formatting changes, specifically showing certain words in bold.

The full amendments, and full FRS 102 (2024), can be found on the FRC Website.

A

Sections with fundamental changes

Section 20 Leases

The amendments to Section 20 result in an on-balance sheet lease accounting model which is based on IFRS 16 Leases, with certain practical exemptions. This means that for almost all lessees, leases, other than those that are either short-term leases or leases of low-value assets, will be recognised on the balance sheet. From a lessee's perspective, there will be no need to make a distinction between operating and finance leases. Lessor accounting remains largely unchanged.

Identifying a lease

- At the contract's inception, it should be determined if a contract conveys the right to control the use of an identified asset for a period in exchange for consideration. The control assessment is based on whether the customer can direct the asset's use and obtain its economic benefits.
- A contract is, or contains, a lease when the following is present:
  - An asset is specified explicitly or implicitly. There is no identified asset if the supplier has a substantive right to substitute it throughout the period of use and can economically benefit from doing so.
  - The customer has the right to obtain the economic benefits from using the asset throughout the lease period.
  - The customer can direct the use of the asset or have designed it in a way that predetermines its use.
- Lease Components:
  - A contract may include multiple components, some lease-related and some not. Each lease component should be accounted for separately if they meet the separation criteria unless a practical expedient is applied to combine them.
  - Lessees must allocate the contract's consideration to each lease component based on their relative stand-alone prices. If stand-alone prices are not observable, they must be estimated maximising observable information.

Lease term

- The lease term begins on the commencement date, including any rent-free periods.
- Components of lease term are
  - the non-cancellable period,
  - periods covered by an extension option, if the lessee is reasonably certain to extend and
  - periods with an option to terminate if the lessee is reasonably certain not to exercise it.
- If only the lessor has the right to terminate the lease, the non-cancellable period of the lease includes the period covered by the lessor's option to terminate the lease.
- The lease term should be reassessed if significant events or changes occur that affect the likelihood of exercising options within the lessee's control.

	Lessee	Lessor
Recognition	• At commencement date, the lessee recognises both a right-of-use asset (ROU asset) and a lease liability.	A lessor classifies each of its leases as either an operating lease or a finance lease: • **Finance leases:** the lessor recognises assets under a finance lease as a receivable in its statement of financial position, as the net investment in the lease. • **Operating leases:** a lessor recognises income from operating leases on a straight-line basis, unless a different systematic basis better reflects the asset's diminishing benefit or lease payments adjust for expected general inflation. Costs incurred in earning lease income, including depreciation, are recognised as expenses by the lessor.

Section 20 Leases

	Lessee	Lessor
Initial measurement	• The ROU asset is initially measured at cost. The cost comprises the following: – Initial lease liability measurement – Lease payments made before or at commencement less incentives. – Initial direct costs incurred by the lessee. – Costs to dismantle, remove, or restore the asset/site per Section 21. • The lease liability is initially measured as the present value of the lease payments, discounted using the interest rate implicit in the lease or, if not determinable, the lessee's incremental or obtainable borrowing rate. • Lease payments comprise: – Fixed payments (less incentives). – Variable payments dependent on an index or rate (measured initially at commencement). – Expected payments under residual value guarantees. – Exercise price of purchase options (if reasonably certain to exercise). – Penalties for terminating the lease (if the term reflects this option).	• **Finance leases:** the lessor uses the interest rate implicit in the lease to determine the net investment, with adjustments for subleases using the head lease's discount rate if necessary. Initial direct costs are included automatically, reducing income recognised over the lease term. • **Operating leases:** a lessor adds initial direct costs incurred in securing an operating lease to the asset's carrying amount, spreading these costs as expenses over the lease term in alignment with lease income recognition.
Subsequent measurement	• The ROU asset is subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for lease liability remeasurements (this does not apply to investment property measured at fair value and property, plant and equipment that is revalued). • The lease liability is adjusted for: – Interest on the lease liability. – Lease payments made. – Remeasurements due to reassessments, lease modifications or revised in-substance fixed lease payments	• **Finance leases** – A lessor recognises finance income evenly over the lease term, reflecting a constant periodic return on the net investment. Lease payments are systematically allocated against the gross investment to reduce both principal and unearned finance income. – The lessor applies derecognition and impairment rules as per chosen accounting policies (per paragraphs 11.2 and 12.2), regularly reviewing estimated unguaranteed residual values; any reduction prompts immediate adjustment in income allocation and recognition • **Operating leases** – Depreciation for depreciable assets under operating leases follows the lessor's usual policy for similar assets and is computed according to either Section 17 or Section 18 guidelines. – The lessor applies Section 27 to assess potential impairments and recognise any impairment losses for assets under operating leases.

Section 20 Leases

<table>
<tr><th></th><th>Lessee</th><th>Lessor</th></tr>
<tr><td>Reassessment and lease modifications</td><td>• Reassessment: remeasure the lease liability for changes in lease term, purchase option assessments, expected residual value guarantees, and future lease payments from changes in an index or rate.
• Lease modifications:
– Account for a lease modification as a separate lease if the modification increases the scope and consideration commensurately.
– For those lease modification that are not a separate lease, reallocate consideration, determine new lease term, and remeasure lease liability using a revised discount rate, with possible exceptions allowing for unchanged rates.</td><td>• Finance leases: If a modification to a finance lease adds the right to use additional assets and the consideration increases proportionately, the lessor accounts for it as a separate lease. If not a separate lease, and the lease would have been an operating lease with the modification, it is accounted for as a new lease from the modification's effective date. Otherwise, the lessor applies relevant accounting policies chosen for derecognition and impairment.
• Operating leases: a lessor treats a modification to an operating lease as initiating a new lease from the modification's effective date. This includes incorporating any prepaid or accrued lease payments from the original lease into the payments for the new lease arrangement.</td></tr>
<tr><td>Presentation</td><td>• ROU assets and lease liabilities can be presented separately or disclosed in notes, specifying which line items include them.
• Investment property right-of-use assets are presented as investment property.</td><td>• Operating leases: a lessor must classify underlying assets subject to operating leases on its statement of financial position based on the nature of each specific asset.</td></tr>
<tr><td>Disclosures</td><td>The are several disclosures required for leases. At a high level, the following key disclosures are required:
• A description of the significant leasing arrangements, with certain minimum disclosures required in this respect.
• Specific disclosures required in respect of the lease liability, for example, the total interest expense, total cash outflows, variable lease payments not included in lease liabilities and the carrying amounts of remeasured lease liabilities.
• Specific disclosures in respect of the ROU-assets which include a reconciliation of the carrying amount at the beginning and end of the reporting period.
• Disclosure of lease commitments for short-term and low-value leases, disaggregated by maturity periods.</td><td>A lessor must detail its significant finance leasing arrangements.
• Finance leases: a lessor discloses the following:
– selling profit or loss
– finance income from the net investment in the lease
– income related to variable lease payments not factored into the net investment
– a maturity analysis of lease payments receivable is provided, reconciling undiscounted payments with the net investment and disclosing unearned finance income and allowances for uncollectible payments.
• Operating leases
– For property, plant, and equipment under operating leases, the lessor applies Section 17 disclosure requirements, distinguishing these assets from owned ones.
– Further disclosures under Section 16, Section 18, Section 27, and Section 34 are applied as necessary.
– A maturity analysis of lease payments receivable should be provided, detailing undiscounted payments annually for at least five years and totals for subsequent years.</td></tr>
<tr><td>Sale and leaseback transactions</td><td colspan="2">• The accounting for a sale and leaseback transaction depends on whether the transfer of the asset qualifies as a sale under Section 23.
• Where the transfer of an asset is a sale, the seller-lessee can choose to measure the ROU asset based on the previous carrying amount or at fair value with adjustments. The buyer-lessor accounts for the purchase as normal and applies lessor accounting. Adjustments are made if sale proceeds differ from fair value, treating below-market terms as lease prepayments and above-market terms as additional financing. The buyer-lessor accounts for the purchase of the asset applying other sections of the FRS and for the lease applying the requirements of Section 20.
• Where the transfer of an asset is not a sale, the seller-lessee continues to recognise the asset and records a financial liability for the proceeds, accounting for it under financial instrument policies. The buyer-lessor does not recognise the asset but records a financial asset equal to the transfer proceeds, also following financial instrument policies.</td></tr>
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Section 20 Leases

Manufacturer or dealer lessors	• **Finance leases:** lessors recognise revenue at the finance lease commencement, based on the fair value of the asset or the present value of lease payments, discounted at a market interest rate, whichever is lower. They also account for the cost of sale, subtracting the asset's cost or carrying amount from the present value of the unguaranteed residual value. Selling profit or loss, the difference between revenue and cost of sale, is recognised upfront, aligning with Section 23 policies for outright sales. This approach applies regardless of whether the lessor transfers the asset. Manufacturer or dealer lessors ensure that profit or loss from finance leases mirrors that from outright sales, adjusted for normal selling prices and any relevant discounts. • **Operating lease:** a manufacturer or dealer lessor does not recognise any selling profit on entering into an operating lease because it is not the equivalent of a sale.
Transition	• As a practical expedient, an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application. • A number of other practical expedients are also available to lessees, such as for example applying a single discount rate to a portfolio of leases with reasonably similar characteristics and using hindsight in determining the lease term if a contract contains options to extend. • For previous operating leases, a lessee is required to apply a modified retrospective approach (i.e. no restatement of comparative) by setting the ROU asset equal to the lease liability and adjusting the ROU asset for any previously recognised prepayment or accrual of lease payments, unless it chooses the option to use balances previously calculated for group reporting purposes under IFRS 16. • For previous finance leases, a lessee recognises ROU asset and lease liability at the date of initial application equal to the carrying amount of the leased asset and finance lease liability immediately before that date, unless it chooses the option to use balances previously calculated for group reporting purposes under IFRS 16. • If a lessor is not an intermediate lessor, it makes no adjustments on transition for its leases and accounts for those leases applying the revised Section 20 from the date of initial application. • If a lessor is an intermediate lessor, it must reassess the classification of its operating leases at initial application of the revised Section 20 with reference to the remaining contractual terms and conditions of the head lease and sublease at that date. If the operating lease is reclassified as a finance lease as a result of this assessment, it is then accounted for as a finance lease from the date of initial application. • In paragraphs 1.58 to 1.60, there are specific transition requirements for sale and leaseback arrangements.

Section 23 Revenue from Contracts with Customers

The amendment to Section 23 brings revenue recognition broadly in line with IFRS 15 Revenue from Contracts with Customers, and the five-step revenue recognition model, but with some limited simplifications.

Entities will need to reassess the accounting treatment of all but the simplest revenue contracts. Examples of contracts that are likely to be affected include those with bundles of goods/services, variable consideration, warranties, customer options, and significant financing components. Principal vs agent conclusions, and the applicability of 'over time' revenue recognition may have to be considered when applying the revised Section 23 for the first time.

The below is a summary of the new requirements:

Step 1 **Identify the contract(s) with a customer**	**Step 2** **Identify the performance obligations in the contract**	**Step 3** **Determine the transaction price**	**Step 4** **Allocate the transaction price to the performance obligations in the contract**	**Step 5** **Recognise revenue when (or as) the entity satisfies a performance obligation**
• The 5-step model is applied to contracts meeting certain conditions: – both parties approved the contract. – rights to goods or services are clearly identified. – there are clear payment terms. – the contract has commercial substance; and – customer has the ability and intention to pay the agreed consideration when it is due.	• At contract inception, an entity should identify the performance obligations in the contract. • A performance obligation is a promise to transfer a distinct good or service, or a series of distinct goods or services. • A good or service is distinct if both of the following criteria are met: – the customer can benefit from the good or services on its own or in conjunction with other readily available resources; and – the entity's promise to transfer the good/service is separate from other promises.	• The transaction price is amount of consideration to which the entity expects to be entitled, excluding amounts collected on behalf of third parties. • Adjustments for time value of money are made for deferred or advanced payments	• The transaction price is allocated to each performance obligation in proportion to the stand-alone selling prices of the goods/services underlying each performance obligation. • The stand-alone selling prices are based on observable prices or suitable estimation methods, such as an adjusted market assessment, expected cost plus margin, and a residual approach.	• An entity should determine at contract inception whether a performance obligation is satisfied over time or at a point in time.
• Contracts with the same customer are combined if: – negotiated as a package with a single commercial goal. – one's consideration depends on the other; or – they form a single performance obligation.	**Warranties** • Warranties are accounted for under Section 21 unless they offer the customer additional services, in which case that additional service is treated as a separate performance obligation under Section 23. • In assessing whether the warranty is an additional service, paragraph 23.27 outlines matters that should be considered. For example, if the warranty can be purchased separately the warranty provides the customer with an additional service and is a separate performance obligation.	**Variable consideration** • If the consideration includes variable amounts, an estimate should be made of the variable amount using the expected value or most likely amount. • Variable consideration is included in the transaction price only if it is highly probable that the entity will be entitled to the cumulative revenue. • The estimate of variable consideration should be updated at the end of the reporting period to reflect any changes in circumstances.	• When estimating the stand-alone selling price for options, discounts, or variable consideration, the entity considers factors like customer discounts and the likelihood of option exercise.	• A performance obligation is satisfied over time when one of the following criteria are met: – the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs – the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced – the entity's performance does not create an asset with alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Section 23 Revenue from Contracts with Customers

Step 1 Identify the contract(s) with a customer	**Step 2** Identify the performance obligations in the contract	**Step 3** Determine the transaction price	**Step 4** Allocate the transaction price to the performance obligations in the contract	**Step 5** Recognise revenue when (or as) the entity satisfies a performance obligation
Contract modifications • It is a change in scope or price of a contract • Should either be treated as a separate contract or as part of the existing contract (i.e., not a separate contract). This determination drives the appropriate accounting treatment for the modification as set out in paragraphs 23.15 to 23.16	**Non-refundable upfront fees** • To the extent that the upfront fee is an advance payment to transfer future goods or services, revenue is only recognised when those future goods or services are provided. In this case, the entity should determine whether to account for the good or service as a separate performance obligation.	**Sales or usage-based royalties** • When a licence of IP is the sole or predominant item to which the royalty relates, an entity recognises royalty revenue at the later of the following: – the subsequent sale or usage occurs; and – the performance obligation to which royalty relates has been satisfied (or partially satisfied).	• Discounts and/or variable consideration are allocated to performance obligations based on relative stand-alone selling prices unless another method better reflects the entity's entitlement to consideration.	• If a performance obligation is not satisfied over time, an entity satisfies the performance obligation at a point in time. • The point in time for revenue recognition is determined by assessing when control of the asset passes to the customer. Control indicators in paragraph 23.85 may be considered in assessing when control passes to the customer.
	Options for additional goods/services • An option that provides a customer with free or discounted goods/services in the future may be a material right. • A material right is a promise embedded in a contract that a customer would not receive without entering into that contract. • A material right is treated as a separate performance obligation. Revenue is recognised when the future goods or services related to the material right is transferred or the option expires.	**Refund liabilities** • Refund liabilities are recognised when an entity expects to refund some/all of the consideration received from a customer. • A refund liability is measured at the amount of consideration received to which the entity does not expect to be entitled. **Right of return** • For contracts with a right of return, revenue is recognised only for products expected not to be returned. • A refund liability is recognised for consideration on expected returns and a refund asset is recognised for returned products.	• Changes in the transaction price are allocated to performance obligations based on the same basis as contract inception.	• For performance obligations satisfied over time an entity recognise revenue by applying a measure of progress. • The entity should select the most appropriate method for measuring progress that reflects the value transferred to the customer and the entity's efforts/inputs relative to the total expected inputs. • Paragraph 23.102 provides guidance on the most common and appropriate methods used to measure progress.

Section 23 Revenue from Contracts with Customers

Step 1
Identify the contract(s) with a customer

Step 2
Identify the performance obligations in the contract

Principal vs agent considerations

- An entity determines whether it acts as a principal or agent based on the nature of its promise to provide the goods/services and whether it controls the specified good or service before it is transferred to a customer.
- Section 23 provides three principal indicators to support the assessment, however, the indicators do not override the assessment of control and should not be viewed in isolation.

Step 3
Determine the transaction price

Non-cash consideration

- Non-cash consideration is measured at fair value.
- If the fair value cannot be estimated, the consideration is measured based on the stand-alone selling price of promised goods/services.

Consideration payable to customers

- It is accounted for as a reduction of the transaction price unless it is for a distinct good or service the customer provides.
- The reduction in revenue is accounted for at the later when the entity recognises revenue for the transfer of the related goods or services to the customer; or the entity pays/promises to pay the consideration.

Step 4
Allocate the transaction price to the performance obligations in the contract

- Changes due to contract modifications are dealt with separately, with adjustments made to performance obligations based on the nature of the modification.

Step 5
Recognise revenue when (or as) the entity satisfies a performance obligation

Licences

- To determine whether a licence transfers over time or at a point in time, the entity should consider whether the licence provides the customer with:
  - A right to access the IP
  - A right to use the IP
- A licence that provides the customer with a right to access, transfers over time. The entity should select an appropriate method to measure its progress in satisfying the performance obligation over time.
- A licence that provides the customer with a right to use, transfers at the point in time at which the licence is granted. An entity applies the control indicators in paragraphs 23.85 to 23.89 to determine the point in time at which the licence transfers to the customer.

Contract costs

- An entity may choose as an accounting policy, to recognise an asset for costs to obtain a contract if those costs are directly attributable to the contract and the costs are expected to be recoverable. Costs not meeting these criteria should be expensed. Costs that will be fully amortised within one year may be expensed when incurred
- Costs of fulfilling a contract within the scope of other sections of FRS 102 should be accounted for in accordance with that relevant section. Only those costs that are not within the scope of another section should be recognised as an asset, provided that the costs directly relate to the contract, enhance resources used to fulfil future performance obligations, and are expected to be recoverable. Costs that relate to satisfied or partially satisfied performance obligations are expensed.
- Contract cost assets are measured at cost less amortisation and impairment losses. Amortisation is based on the pattern of transfer of goods or services to the customer.

Contract balances

- Contract liabilities arise when consideration is received before the transfer of goods/services to the customer.
- A contract asset or trade receivable is recognised when an entity transfers goods/services before receiving consideration.
- A contract asset is a right to consideration in exchange for goods/services transferred that is conditional on something other than the passage of time.
- A trade receivable is an unconditional right to consideration if only the passage of time is required for payment to be due. A contract asset exists if there is other conditionality, other than the passage of time, before consideration can be received.

Section 23 Revenue from Contracts with Customers

Disclosures	At a high level, the following disclosures are required: • Entities must disclose detailed information about their revenue from customer contracts, including: – Disaggregation of revenue by economic factors (e.g., types of goods/services, geographic markets, customer types, timing of transfers, agent/principal). – Detailed disclosures of contract balances and movements in those balances. – Information about performance obligations, such as the nature of the performance obligations, when it satisfies those performance obligations and typical payment terms. – For over time revenue recognition, the methods used to recognise revenue. – Quantitative/qualitative explanation of significance unsatisfied performance obligations and when they are expected to be satisfied. – Disclosure of contract cost balances and the amount of amortisation and any impairment losses recognised.
Transition	• An entity can choose to apply a full retrospective approach or a modified retrospective approach on initial application of the revised Section 23. • If a modified retrospective approach is applied, the entity does not have to restate comparative information and applies this section only to contracts not completed by initial application date. A number of other practical expedients are available when applying this approach. The cumulative effect of initial application is treated as an adjustment to the opening balance of retained earnings (or other component of equity) at the date of initial application. • If an entity chooses to apply the amendments fully retrospectively then comparatives are restated. Certain simplifications and optional expedients are also available under this option.

B

Sections with incremental improvements

Section		Relevant amendments
1	**Scope**	Section 1 sets the scope of FRS 102 and specifies the effective dates for the amendments along with the transitional arrangements. The key changes include: • The introduction of transitional arrangements in respect of the key areas of FRS 102 impacted by the amendments, outlining the effective dates. They relate to: Fair value measurement (Section 2A), Supplier finance arrangements (Section 7), Business combinations and goodwill (Section 19), Leases (Section 20), Revenue (Section 23) and Uncertain tax treatments (Section 29). • New exemptions have been introduced in respect of leases and revenue, for those qualifying entities making reduced disclosures. Regarding leases, a qualifying entity that is a lessee is not required to disclose the total cash outflow for leases and if it is a lessor, it may omit to disclose selling profit/loss, finance income, and variable lease payment income for finance leases; and lease income, including variable payments, for operating leases. In relation to revenue, the qualifying entity may omit some disclosures regarding disaggregation of revenue, some information regarding satisfaction of performance obligations, among others.
2	**Concepts and Pervasive Principles**	Section 2 of FRS 102 is completely replaced. It now aligns more closely with the IASB's 2018 Conceptual Framework. • This section outlines the concepts and principles underlying the financial statements. • The fundamental qualitative characteristic of faithful representation has been added along with the enhancing qualitative characteristic of verifiability. • Guidance on the unit of account, derecognition, classification and aggregation has also been added along with guidance on other existing concepts and principles being expanded.
2A	**Fair Value Measurement**	Section 2A introduces significant changes to fair value measurement principles and guidance: • The definition of fair value (in the FRS 102 glossary) is altered to be generally consistent with IFRS 13 in IFRS. • New guidance on applying the revised definition is also largely in line with IFRS 13. • It applies when other FRS sections mandate or allow fair value measurements, excluding share-based payments (Section 26) and leases (Section 20).
7	**Statement of Cash Flows**	Section 7 amendments include: • Refining certain paragraphs to include specific examples which fall under either operating or financing cash flows for the purposes of the primary statement. • New requirements have been added to require certain disclosures for arrangements whereby one or more finance providers have offered to pay amounts an entity owes its suppliers, and the entity has agreed to pay the finance provider according to certain terms and conditions at either at the same date, or a later date than, suppliers are paid. These arrangements are often referred to as supplier finance, supply chain finance, or reverse factoring, although other terminology may be used. The key is to understand the arrangement(s) in place to determine whether they fall within scope of these new disclosure requirements. • Credit enhancements such as financial guarantees or instruments akin to credit cards used for direct settlements do not fall within scope of these new disclosure requirements.
11	**Basic Financial Instruments**	Section 11 amendments include: • Prohibitions on switching to IAS 39, except for consistency with consolidated financial statements. For first-time adoption of FRS 102 (including newly incorporated entities), IAS 39 can only be applied if it aligns accounting policies with those in the consolidated financial statements in which the entity is included. • Minor updates to scope to reflect the new Section 23, interest rate benchmarks, initial measurement of trade receivables, and dividend income recognition criteria. • Updates on fair value measurement guidelines, impairment loss calculations, and enhanced disclosure requirements for expected credit losses for those applying IFRS 9 and fair value instruments.
12	**Other Financial Instruments Issues**	Section 12 amendments include: • Prohibitions on switching to IAS 39, except for consistency with consolidated financial statements. For first-time adoption of FRS 102 (including newly incorporated entities), IAS 39 can only be applied if it aligns accounting policies with those in the consolidated financial statements in which the entity is included. • An exclusion for Section 23 financial instruments was added, it outlines criteria for recognising dividend income. • Amendments to some paragraphs addressing fair value guidelines and clarification to certain disclosure requirements.

Section		Relevant amendments
19	Business Combinations and Goodwil	Section 19 amendments include: • Clarifications on scoping, specifying that it does not apply to joint venture formation within the joint venture's own financial statements or to an acquisition of an asset that does not constitute a business. • New guidance to identify the acquirer in a business combination, clarifying that it is typically the entity transferring cash, assets, or incurring liabilities, or the one issuing equity instruments. Other factors given to consider are voting rights, board appointment and composition, relative size or who initiated the transaction. The guidance also outlines considerations for newly formed entities and highlights that in some instances the legal acquiree may be the acquirer (a reverse acquisition). • Guidance around contingent consideration linked to employment. Costs remunerating employees or former owners contingent on providing future services are excluded from the business combination's cost. Determining whether such payments are part of the business combination or are separate transactions (e.g., remuneration) depends on the arrangement's nature and substance. • Additional clarifications on recognition of liabilities, contingent liabilities and intangible assets acquired in the business combination. • Consequential amendments in relation to leases in which the acquiree is the lessee following changes to Section 20. • Some additional disclosure requirements have been added, most as a consequence of the above amendments.
26	Share-Based Payment	Section 26 amendments include: • Clarification that equity instruments issued for control in business combinations are excluded from Section 26, whereas those granted to employees for services, and modifications or replacements of existing arrangements due to business combinations, are included. • New guidance on equity settled share-based payments settled in cash (or other assets) instead of equity instruments, and the measurement of cash-settled share-based payments. • New guidance on classification of share-based payment arrangements to address situations where the counterparty has a choice of settlement related to their employee tax obligations.
29	Income Tax	Section 29 amendments include: • Minor clarifications on deferred tax recognition in business combinations. • New guidance on uncertain tax treatments, including a requirement that entities should assume that tax authorities will scrutinise the amounts in question.
35	Transition to this FRS	Section 35 amendments include: • Clarification that the transition requirements in Section 35 are applicable to a first-time adopter of FRS 102 regardless of the previous framework adopted (and explicitly clarifies that this includes entities transitioning from FRS 101 and FRS 105). • New requirements on treatment of borrowing costs, development costs and financial instruments on transition. • Restriction on previous option to adopt IAS 39 recognition and measurement policies to situation in which this is consistent with consolidated financial statement policies. • New exemptions on transition relating to decommissioning liabilities included in the cost of right-of-use assets, development costs, leases, and revenue from contracts with customers. • New disclosure requirements mandate reporting on transitional exemptions and material changes not covered in reconciliations.

Sections with minor clarifications

Section		Relevant amendments
3	**Financial Statement Presentation**	• Minor wording adjustments were made, including replacing "significant accounting policies" with "material accounting policy information". • A new requirement mandates disclosing whether financial statements are prepared on a going concern basis together with confirmation that management has considered information about the future and any significant judgements made regarding the entity's ability to continue as a going concern.
4	**Statement of Financial Position**	• Minor wording changes were made including renaming "receivables arising from accrued income not yet billed" to "accrued income" where adapted formats are used and specifying that for a disposal group, the carrying amount to be disclosed is "the carrying amounts of the assets and liabilities within the disposal group" instead of "the underlying assets and liabilities."
6	**Statement of Changes in Equity and Statement of Income and Retained Earnings**	• The most relevant change is that entities with multiple classes of share capital must now disclose dividends paid separately, both in total and per share, for each class of share capital. Apart from that, there are some minor modifications to the wording of Section 6 and other minor amendments mostly related to small entities requirements which are not discussed in these summaries.
8	**Notes to the Financial Statements**	• Minor wording adjustments were made, including replacing "significant accounting policies" with "material accounting policy information". • The most significant changes include that entities are required to disclose accounting policy information if it is material to understanding other material information, i.e., if users of an entity's financial statements would need it to understand other material information in the financial statements. • It has been stressed the importance of entity-specific information over standardised details. • It is emphasised that immaterial accounting policy information need not be disclosed unless required by Regulations or LLP Regulations.
9	**Consolidated and Separate Financial Statements**	• The main change relates to the inclusion of the accounting treatment of changes in a parent's controlling interest in a subsidiary, without loss of control that was previously included in Section 22. This outlines that when a parent changes its ownership in a subsidiary but retains control, the transaction is treated as an equity transaction between the parent and non-controlling interests. The carrying amount of the non-controlling interest is adjusted to reflect the change in interest in the subsidiaries net assets and the difference between this adjustment and the fair value of consideration exchanged is recognised directly in equity and attributed to equity holders of the parent; no gain or loss is recognised, and there is no impact on the carrying amounts of assets or liabilities (including goodwill) as a result of such transactions. This modification in Section 9 does not result in changes in the accounting treatment.
10	**Accounting Policies, Estimates and Errors**	• The amendments clarify that when the measurement of a class of biological assets and its related agricultural produce changes from the cost model to the fair value model, this is handled as a change in accounting policy to be dealt with as a change in fair value less costs to sell as per Section 34. • The amendments introduce new content on developing accounting estimates, highlighting that when items in financial statements involve uncertainty, entities must use judgement and assumptions to estimate amounts based on the most reliable available information, applying measurement techniques and inputs. Accounting estimates may change due to new information or changes in circumstances. • Examples of accounting estimates include fair value, estimated selling price, depreciation, warranty provisions and recoverable amounts. • It clarifies that changes in inputs or measurement techniques are accounting estimate changes unless they result from correction of a prior period error. A change in the measurement basis is a change in accounting policy rather than a change in an accounting estimate.
13	**Inventories**	• The updates include removing the scope exclusion for work in progress arising from construction contracts following the amendments to Section 23, a requirement to apply the presentation and disclosure requirements of Section 13 to refund assets representing expected product returns, and a clarification that depreciation and maintenance of right-of-use assets used in the production process are examples of fixed production overheads. • It has been clarified that that agricultural produce harvested from an entity's biological assets should be measured on initial recognition, at the point of harvest, at either their fair value less estimated costs to sell or the lower of cost and estimated selling price less costs to complete and sell in accordance with Section 34.

Section		Relevant amendments
14	**Investments in Associates**	• Amendments include the introduction of additional guidance on establishing significant influence, outlining indicators such as board representation, policy-making involvement, material transactions, managerial appointment/removal, and provision of information. Potential voting rights also need to be considered if currently exercisable or convertible. • It has been clarified that the interest in an associate includes the carrying amount determined using the equity method and any financial instruments that form part of the investor's net investment. Financial instruments expected to remain unsettled are considered part of the net investment and losses exceeding the investment in ordinary shares are allocated to other components of the investor's interest in the associate based on their priority in liquidation. • If there are indications of impairment, it has been clarified that investors must assess the total carrying amount of an interest in an associate, including financial instruments within the net investment, for impairment as a single asset under Section 27. Goodwill within the investment is also tested as part of the entire investment and not separately. Prior to applying this, investors must first apply Section 11 or Section 12 to such financial instruments, disregarding any adjustments resulting from applying this Section.
16	**Investment Property**	• Section 16 has been updated to reflect changes to the leasing model in Section 20 and all references to fair value now refer to the new guidance in Section 2A Fair Value Measurement. • The revision has removed the reference to interests held by a lessee under an operating lease, in line with amendments to Section 20. • New guidance has been added to help entities determine whether the acquisition of investment property qualifies as an asset acquisition or a business combination under Section 19. • Clarification has been added to separate investment property from other property components unless the fair value of the investment portion cannot be reliably measured. In that case, the entire property is treated as property, plant, and equipment or as a right-of-use asset, depending on ownership or lease status. • Investment property held by a lessee can either be accounted for at fair value through profit or loss or transferred to right-of-use assets and measured under the cost model, as per Section 20. The scope of this Section has been amended to exclude transferred assets. • The initial measurement of investment property held as a right-of-use asset by a lessee is detailed under Section 20. • It has been clarified that when a lessee uses the fair value model to measure an investment property held as a right-of-use asset, only the right-of-use asset, not the underlying property, is measured at fair value. • It has been clarified that property can only be transferred into or out of investment property at the point the property meets or ceases to meet the definition of investment property and there is evidence of the change. • Some paragraphs have been updated to include the accounting for transfers between right-of-use assets and investment property. The updates specify that when an investment property is reclassified to a right-of-use asset, the fair value at the date of the change of use is its deemed cost under Section 20, and when a right-of-use asset becomes an investment property, any difference between the carrying amount under Section 20 and fair value on the date of change of use is treated as a revaluation under Section 20.
17	**Property, Plant and Equipment**	• It has been clarified that entities should use judgement in determining whether the acquisition of property, plant, and equipment is the acquisition of an asset or a group of assets or is a business combination in scope of Section 19. Making this judgement requires separate application of both Sections 17 and 19. • It now states expected future reductions in the selling price of an item produced using the asset is a potential indicator of technical or commercial obsolescence. • It now defines the disposal date of an item as the date when control is transferred to the recipient, based on the requirements in Section 23 for determining when a performance obligation is satisfied.
18	**Intangible Assets other than Goodwill**	• Scope was amended to exclude assets arising from contracts with customers under Section 23 from the scope of Section 18. • It has been clarified that entities should use judgement in determining whether the acquisition of an intangible asset is the acquisition of an asset or a group of assets or a business combination in scope of Section 19. Making this judgement requires separate application of both Sections 18 and 19. • It has been stated that entities must use judgement to decide if assets with both intangible and tangible elements fall under Section 17 or Section 18, based on which element is more significant. • 'Asset' has been defined for this Section as a resource controlled by the entity due to past events, from which future economic benefits are expected to flow to the entity. • It has been clarified that expenditure not meeting the criteria for recognition as an internally generated intangible asset, such as costs indistinguishable from the cost of developing the business as a whole, must be expensed. The list of non-capitalisable expenditures remains unchanged.

Section		Relevant amendments
21	Provisions and Contingencies	• It has been clarified that for the purposes of Section 21, a liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. • The examples in the Appendix to Section 21 have been amended to clarify that the cost of fulfilling an onerous contract includes both incremental costs directly related to fulfilling that contract and an allocation of other costs related to fulfilling contracts in general. • Example 4 "warranties" was amended to refer to "national" government bonds in determining a "risk free" discount rate. • Example 5 "refunds policy" was deleted.
22	Liabilities and Equity	• The revision adds clarity by defining a liability as a present obligation arising from past events, with settlement expected to result in an outflow of economic benefits. The definition of a financial liability remains unchanged, covering contractual obligations to deliver cash or other financial assets, exchange financial assets or liabilities under potentially unfavourable conditions, and contracts settled in the entity's own equity instruments, whether non-derivatives or derivatives. We observe that the definition of a financial liability does not include any probability threshold. These changes in our view have no substantive effect. • The accounting for a change in a parent's entity's controlling interest in a subsidiary has been moved to Section 9.
24	Government Grants	• Scope has been amended to exclude government assistance that is provided in the form of 'reliefs and deductions' (rather than 'benefits'). It has also been amended to now refer to 'government assistance' rather than 'benefits'. • It has been clarified that grants (under the performance model) that are received before the performance-related conditions are satisfied are recognised as a liability. • Accrual model requirements have been amended to refer to "a grant, or each part of a grant" when applying this model, and to clarify that grants relating to right-of-use assets must be recognised on a systematic basis over the expected useful life of the asset.
25	Borrowing Costs	• The definition of borrowing costs has been updated to refer to "interest expense on lease liabilities", to align with amendments to Section 20 Leases. • Recognition requirements have been updated to clarify that borrowings specifically for the purpose of obtaining other qualifying assets are included in "general borrowings" only once substantially all the activities necessary to prepare that other asset for its intended use or sale are complete.
27	Impairment of Assets	• Section 27 amendments clarified existing rules with minor changes. They incorporate updates to the scoping requirements associated with assets arising under the amended Section 23 Revenue from Contracts with Customers. • Additionally, there are now cross-references to fair value guidance in Section 2A Fair Value Measurement. • Further, right-of-use assets are now specifically included within the list of classes of assets for which disclosure is required of the amount of an impairment loss recorded or reversed during the period and line item(s) in the income statement where this loss or reversal are presented is required, providing alignment with the amended Section 20 Leases.
28	Employee Benefits	• Updates include reference to Section 2A Fair Value Measurement to align with amended fair value guidance. • It has been stated that "national" government bond yields should be used to discount defined benefit obligations in certain situations. • It has been clarified that management costs are deducted from the return on plan assets in the remeasurement of the net defined benefit liability. • Changes to disclosures were made in relation to defined benefit pension plans aimed at providing more useful information to users.
33	Related Party Disclosures	• Scope has been amended to specifically state that it is only disclosures required by paragraph 33.9 that need not be provided for transactions between wholly owned members of a group, i.e., other disclosures such as disclosure of controlling party relationships are required. • Such paragraph has been amended to specify that disclosures related to related party transactions must now include information about commitments. • Wording improvements regarding "Disclosure of related party transactions" were made to clarify that the exemption given is exemption from disclosure of related party transactions, outstanding balances and commitments. It now refers to a 'government' rather than a 'state' and specify that commitments that are contingent on future events should be disclosed if they involve a related party.

Section		Relevant amendments
34	**Specialised Activities**	• Changes have been made throughout to update references to Section 20, Section 23 and Section 2A following amendments to those sections. Specialised activities subsections such as "Extractive Activities", "Financial Institutions", "Retirement Benefit Plans: Financial Statements", "Funding Commitments" have minimal changes. Changes were made in subsections "Heritage Assets", "Incoming Resources from Non-Exchange Transactions", "Public Benefit Entity Combinations" and "Public Benefit Entity Concessionary Loans"; however, a summary is not provided here, given these are largely applicable to public benefit entities rather than private sector. • The main changes in Agricultural Activities and Service Concession Arrangements subsections include: **Agricultural Activities:** – It has been clarified that agricultural produce is not distinguished from its biological asset before harvest. After harvest, it is accounted for under Section 13 Inventories or another relevant section. – "Measurement – fair value model" was amended to refer to Section 2A, and to explain that the application of valuation techniques may involve sector benchmarks such as the value of an orchard expressed per export tray, bushel, or hectare, or the value of cattle expressed per kilogram of meat. – "Elements of cost" in "Measurement – cost model" have been added, specifying that the cost of a biological asset comprises: (a) purchase price including related fees, duties and non-refundable purchase taxes, after deducting trade discounts and rebates, (b) directly attributable costs, (c) provisions for decommissioning and site restoration costs, and (d) any capitalised borrowing costs. **Service Concession Arrangements:** – In "Accounting by operators" is now required that the operator recognise and measure revenue in line with Section 23 for services rendered, and it has been clarified that the subsequent accounting for consideration received as a financial asset and an intangible asset is detailed in the relevant paragraphs (previously labelled as "Accounting – financial asset model" and "Accounting – intangible asset model"). – Updates were made to clarify that operators need to account for construction or upgrade services in accordance with Section 23. – It has been clarified that the subsequent accounting for consideration received as a financial asset and an intangible asset is determined by the nature of the consideration, as detailed in the relevant paragraphs (previously labelled as "Accounting – financial asset model" and "Accounting – intangible asset model") but that both types of consideration are classified as a contract asset under Section 23 during the construction or upgrade period.

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