



# Impact of New UK GAAP on Sage vendor products



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# An Overview of the New UK GAAP Introduction

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4. Practical Considerations for Software Users
5. Sage Accounts Production software for Industry



# New UK GAAP



# An Overview of the New UK GAAP

## The need for change



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### Why?

- Consistency with IFRS
- Reflects more up to date thinking
- More proportionate reporting
- Cost effective

### Who?

- Majority of large and medium-sized UK entities
- Entities that don't apply EU-adopted IFRS
- Entities that don't apply FRSSE

### When?

- Accounting periods beginning on or after 1 January 2015
- Early adoption permitted
- Transition date



# An Overview of the New UK GAAP

## The new standards



### FRS 100

- Which standards to apply
- Application of SORPs
- Transitional arrangements

### FRS 101

- Disclosure exemptions from EU-adopted IFRS for qualifying entities

### FRS 102

- Succinct financial reporting based on IFRS for SMEs
- Replaces current FRSs, SSAPs and UITFs
- Includes reduced disclosures for qualifying entities

### FRS 103

- Insurance contracts



# An Overview of the New UK GAAP Financial statements under FRS 102



## Primary statements

- Statement of financial position
- Statement of comprehensive income or income statement
- Statement of changes in equity
- Statement of cash flows

## Notes to the accounts

- Accounting policy changes
- Statement of compliance
- Transition note



# An Overview of the New UK GAAP

## Key differences



### Financial instruments

- Comprehensive accounting guidance
- Classified as 'basic' or 'other'
- Derivatives on-balance sheet

### Defined benefit pension plans

- Current service cost and net interest cost recognised in P&L with remeasurements in other comprehensive income

### Investment property

- Revaluation gains and losses taken to profit or loss rather than reserves

### Business combinations

- More intangibles likely to be recognised separately from goodwill
- Finite useful lives for goodwill and intangibles
- Merger accounting only permitted for group reconstructions

### Deferred tax

- Timing difference plus approach could result in larger deferred tax liabilities





# An Overview of the New UK GAAP

## First-time adoption of FRS 102

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- Section 35
- Preparing the transition balance sheet
  - Retrospective Application generally applies
  - Exceptions where Retrospective application is not permitted
  - FRS 101 Exemptions available



# An Overview of the New UK GAAP

## Reduced disclosures

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- Exemptions for qualifying subsidiaries and ultimate parents
- Areas affected:
  - Cash flow statement
  - Financial instruments
  - Share-based payments
  - Related party transactions
  - Share capital
- Certain requirements if exemptions are taken



# An Overview of the New UK GAAP

## Changes to company law



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- What's changing?
  - Size thresholds

	Small	Medium
Net turnover	£10.2m (£6.5m)	£36m (£25.9m)
Balance sheet total	£5.1m (£3.26m)	£18m (£12.9m)
Employees	50	250

- Filing Requirement - Changes
- Disclosure Requirements
- What next?



# An Overview of the New UK GAAP

## Impact on financial reporting standards



### Why?

- Continued consistency between revised legal frameworks and the financial reporting frameworks

### FRED 58

- Draft FRS 105
- Based on the recognition and measurement requirements of FRS 102

### FRED 59

- FRSSE withdrawn
- New section of FRS 102 for small entities

### FRED 60

- Draft amendments to FRS 100 and FRS 101

### What next?

- Expected to be finalised in July 2015
- Mandatory for accounting periods beginning on or after 1 January 2016

# An Overview of the New UK GAAP

## Practical considerations

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Staff training

Software systems

Clients affected

Cost of transition

Dividend planning

Tax implications



# An overview of the New UK GAAP Sage Support



[www.sage-exchange.co.uk](http://www.sage-exchange.co.uk)





# An Overview of the New UK GAAP Practical Demonstration from a Software Vendor

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Layout  
Terminology  
Treatments  
No re-key of data

# Sources of information



1. <https://sage-exchange.co.uk/news/new-uk-gaap-frs102>
2. <http://www.hazlewoods.co.uk/uploads/NewUKGAAP-FRS102ImpactKeydifferenceswebsite.pdf>
3. <http://www.content-finder.com/actionplanner/>
4. <http://www.newukgaap.co.uk/>

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