

Relate Accounts Production



Overview of FRS102
Transitional Adjustments

Version 2.0

INTRODUCTION

The Financial Reporting Council (FRC), or the Accounting Standards Board (ASB) as they were previously known until July 2012, commenced a project to replace UK and Irish GAAP about ten years ago.

This went through various iterations including a version of the IFRS for SMEs which was later transformed into the 'FRSME' (FRS for Medium Entities) published in late 2009.

Following wide scale feedback from the profession and from users of financial statements, FRS 102 was 'born'.

FRS 102 was first published in March 2013 preceded by two accompanying standards, FRS100 and FRS 101 (both published in November 2012).

The titles of the new standards are:

- FRS 100 Application of Financial Reporting Requirements
- FRS 101 Reduced Disclosure Framework – Disclosure exemptions from EU –adopted IFRS for qualifying entities
- FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland

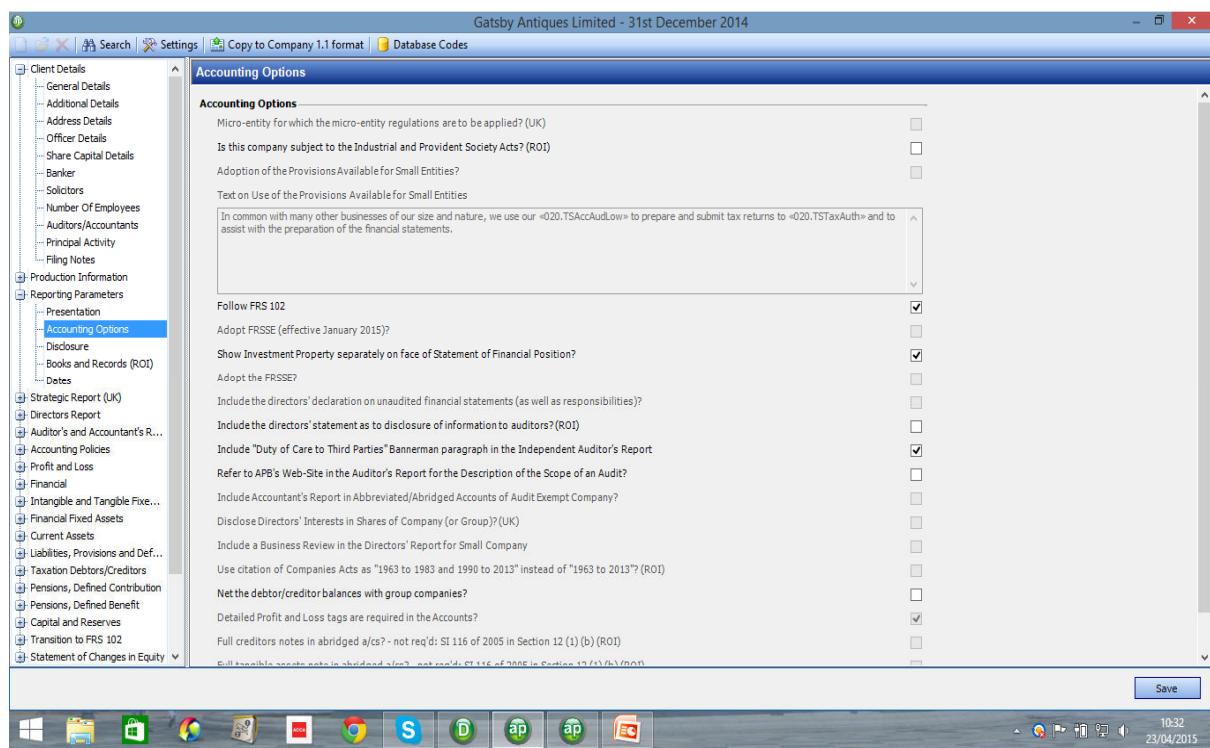
These three new standards replace the entire suite of FRSs/SSAPs and UITFs for medium/large private entities in the UK and Ireland.

TRANSITION TO FRS102

- ▶ The 'transition date' for companies with a December year end, has already passed - 1 January 2014.
- ▶ For 2014 Year Ends, financial statements need to be prepared – one set under Irish/UK GAAP (the last ever using SSAPs and FRS 1 to 30) and another set under FRS 102 which will act as comparatives for the 2015 financial statements.
- ▶ Early adoption of the standard is allowed. Companies could adopt the standard for the financial year ended 31 December 2012 – using FRS 102 to prepare the 2012 accounts as soon as it was published in March 2013.

ADOPTING FRS 102 IN RELATED ACCOUNTS PRODUCTION

- ▶ RAP 2.0 provides tick boxes to give the options to apply FRS 102 and to use the descriptions for the Primary Statement Headings and wording introduced by the standard.
- ▶ The headings and wording are not compulsory, so the original equivalents can be used as long as they do not mislead the reader of the accounts, hence the option for use!



ADOPTING FRS102

Gatsby Antiques Limited - 31st December 2014

Search | Settings | Copy to Company 1.1 format | Database Codes

Presentation

Presentation

Show Firm's Name and Address on the Cover Page?	<input checked="" type="checkbox"/>
Show Company Registration Number on the Cover Page for full Financial Statements?	<input type="checkbox"/>
When Company Registration Number appears on the Cover Page, show on top centre (not bottom left)?	<input type="checkbox"/>
Include Directors and Other Information page in Abridged Accounts?	<input type="checkbox"/>
Show Bankers and Solicitors in Directors and Other Information page in Abridged Accounts?	<input type="checkbox"/>
Use all the FRS 102 descriptions for the headings of the primary financial statements?	<input checked="" type="checkbox"/>
Use "Statement on Financial Position" instead of "Balance Sheet"?	<input checked="" type="checkbox"/>
Use "Income Statement" instead of "Profit and Loss Account"?	<input checked="" type="checkbox"/>
Use "Statement of Comprehensive Income" instead of "Statement of Total Recognised Gains and Losses"?	<input checked="" type="checkbox"/>
Use "Statement of Changes in Equity" instead of "Reconciliation of Shareholders' Funds"?	<input checked="" type="checkbox"/>
Use "Statement of Income and Retained Earnings" instead of "Profit and Loss Account"?	<input type="checkbox"/>
Use "Statement of Cash Flows" instead of "Cash Flow Statement"?	<input type="checkbox"/>
Use "Equity attributable to owners" instead of "Shareholders' Funds" or "Members' Funds"?	<input checked="" type="checkbox"/>
Use "Revenue" instead of "Turnover"?	<input type="checkbox"/>
Use "Property, plant and equipment" instead of "Tangible fixed assets"?	<input type="checkbox"/>
Use "Non-current assets" instead of "Fixed assets"?	<input type="checkbox"/>
Use "Receivables" instead of "Debtors"?	<input type="checkbox"/>
Use "Inventories" instead of "Stock"?	<input type="checkbox"/>
Use "Payables" instead of "Creditors"?	<input type="checkbox"/>
Use "Non-controlling interests" instead of "Minority interests"?	<input type="checkbox"/>
Use "Equity" instead of "Capital and reserves"?	<input type="checkbox"/>
Use "Carrying amount" instead of "Net book value"?	<input type="checkbox"/>
Use "Finance costs" instead of "Interest payable and similar charges"?	<input type="checkbox"/>

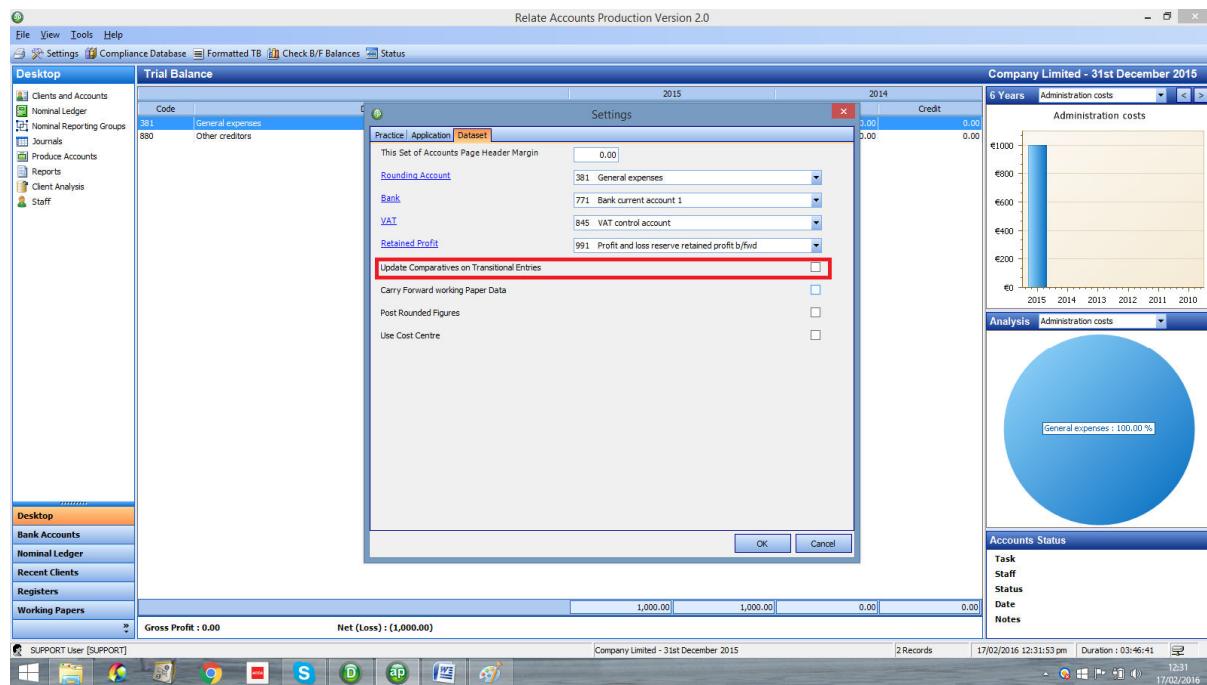
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SELECTING FINANCIAL STATEMENT DESCRIPTIONS AND TERMINOLOGY

TRANSITIONAL ADJUSTMENTS TOOL

- ▶ The most important process which has to be completed when adopting FRS 102 for the first time is providing Transitional Adjustments.
- ▶ **PLEASE NOTE THAT THE TRANSITIONAL ADJUSTMENTS TOOL IN RAP IS FOR THE PURPOSE OF CREATING THE TRANSITIONAL CHANGES NOTES AS REQUIRED BY FRS 102. THE TOOL DOES NOT ADJUST YOUR COMPARATIVE OR PRE-COMPARATIVE FIGURES IN THE NOMINAL LEDGER OR ACCOUNTS - UNLESS YOU HAVE SELECTED THE “Update Comparatives On Transitional Entries” OPTION UNDER “Settings” IN THE “Tools” MENU – “DATASET” TAB, AS HIGHLIGHTED IN RED BELOW.**



- ▶ The Comparative and Pre-Comparative figures brought forward after completing the year-end process in the comparative year/period dataset should **otherwise** be adjusted for any changes due to the adoption of FRS 102 in the Current Year dataset using the “Comparatives” function. The Current Year figures posted should obviously be those in accordance with FRS102.
- ▶ Then the “Transitional Adjustments Tool” should be used to create the Transitional notes, obviously using the same adjustments. The Original figures (before the adjustments) are calculated automatically and inserted in the notes. The notes provide a reconciliation between the original figures (under Old GAAP) and the new figures (Under FRS102).

Transitional Comparatives Input

Save & Close

Select Cost Centre: CCI1 Suppress Zeros

Code	Description	Balance	2013	2012	Trans 2013	Trans 2012
001	Auctions	-39,156,324.00	-47,581,128.00	-44,985,469.00	0.00	0.00
001.01	Direct sales	-3,380,522.00	-3,105,478.00	-2,920,773.00	0.00	0.00
001.02	Other sales	-242,259.00	-135,756.00	-131,111.00	0.00	0.00
002	Auctions - Europe	-7,652,987.00	0.00	0.00	0.00	0.00
003	Auctions - Rest of World	-4,411,145.00	0.00	0.00	0.00	0.00
100	Opening stock	5,676,717.00	4,630,767.00	4,063,013.00	-40,123.00	0.00
112	Purchases	49,849,029.00	47,677,993.00	45,439,131.00	0.00	0.00
121	Closing stock	-4,985,289.00	-5,676,717.00	-4,630,767.00	80,321.00	40,123.00
131	Wages and salaries	1,983,702.00	1,753,735.00	1,762,118.00	0.00	0.00
171	Light, heat and power	200,055.00	235,571.00	275,364.00	0.00	0.00
191.05	Depreciation on plant and machinery	5,646.00	13,336.00	0.00	0.00	0.00
245	Telephone	193,496.00	204,006.00	217,435.00	0.00	0.00
268	Entertaining	12,827.00	7,940.00	9,057.00	0.00	0.00
301	Wages and salaries	68,764.00	65,591.00	13,260.00	0.00	0.00
302	Directors' remuneration	718,814.00	694,667.00	969,188.00	6,271.00	67,632.00
303	Employer's PRSI contributions	153,049.00	214,235.00	211,574.00	0.00	0.00
305	Staff defined contribution pension costs	216,781.00	221,644.00	383,321.00	0.00	0.00
305.01	Staff defined benefit current service costs	53,000.00	42,500.00	0.00	0.00	0.00
306.02	Employer contributions to the pension scheme	-119,600.00	-135,800.00	0.00	0.00	0.00
309	Staff training	9,874.00	1,300.00	2,012.00	0.00	0.00
319	Commissions payable	2,314.00	0.00	0.00	0.00	0.00
320	Use of premises	143,427.00	79,603.00	81,898.00	0.00	0.00
322	Rent payable	1,089.00	3,108.00	11,403.00	0.00	0.00
323	Rates	236,282.00	222,221.00	212,729.00	0.00	0.00
326	Insurance	125,392.00	125,403.00	100,343.00	0.00	0.00
330	Computer bureau costs	76,092.00	81,128.00	75,543.00	0.00	0.00
331	Light and heat	45,826.00	43,131.00	40,792.00	0.00	0.00
332	Cleaning	59,275.00	52,220.00	56,874.00	0.00	0.00
341	Printing, postage and stationery	112,298.00	106,156.00	80,996.00	0.00	0.00
345	Telephone	1,564.00	0.00	0.00	0.00	0.00
351	Motor expenses	16,298.00	20,928.00	26,367.00	0.00	0.00
352	Equity-settled share-based payments	2,300.00	0.00	0.00	0.00	0.00
365	Legal and professional	22,835.00	10,045.00	5,290.00	0.00	0.00
366	Bank fees	14,110.00	33,047.00	30,203.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00

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TRANSITIONAL ADJUSTMENTS TOOL

EXAMPLES OF TRANSITIONAL ADJUSTMENTS

Example 1

The first example we show in our Sample accounts involves Stock Revaluation (LIFO to FIFO).

The Current Year is 2014, so under FRS102 guidelines, both the P&L and B/S must be adjusted in the Comparative (2013) and just the B/S in the Pre-Comparative (2012). Therefore the objective is that both the Opening and Closing B/S of the Comparative get adjusted.

In this case the value of the stock has decreased due to the change in valuation method, so the following adjustments should be made using the FRS102 Trans Tool :-

2013 Adjustments

Dr Retained Profit (991)

Cr Opening Stock (100) ***with the decrease applicable in the pre-comparative.***

Dr Closing Stock (121)

Cr Stock B/S (701) ***with the decrease from both years.***

2012 Adjustments

Dr Retained Earnings (991)

Cr Stock B/S (701) ***with the decrease applicable in that period.***

Once 2014 has been manually posted in accordance with FRS 102, the Opening Balances will not have to be adjusted. Otherwise, a normal journal should be used to adjust any opening balances not agreeing with the adjusted comparatives.

Please note that the user will have to calculate the adjustments/changes in value themselves and then use the FRS102 Transitional Tool to account for them.

Example 2

Another Example of an FRS102 adjustment shown in our Sample Accounts is the revaluation of the Investment Properties. In this case they are treated as a normal Tangible Asset and depreciated, because a reliable valuation as an intangible cannot be ascertained.

Therefore the change in value of the Asset and the depreciation, have to be posted in the Comparative and Pre-Comparative Periods.

In our example the Investment Property is re-valued in the Pre-Comparative Period, so adjustments would be:-

Comparative

Dr Freeholds B/F (621)

Cr Revaluation B/F (975) (***to post Asset Revaluation B/F***)

Dr Retained Earnings (991)

Cr Freeholds Accumulated Depreciation B/Fwd (622) (***to post Depreciation B/F***)

Pre-Comparative

Dr Freeholds Revaluation in Period (621.02)

Cr Revaluation Reserve Movement (975.02) (***To Post Revaluation***)

Dr Retained Earnings (991)

Cr Depreciation for Period 622.01 (***To Post Depreciation***)

Example 3

A final example in our Sample Accounts is where Holiday Entitlements were not taken by Directors. They must now be allowed for or accrued under FRS 102.

The required adjustments are:-

Comparative

Dr Directors Remuneration (302) Cr Accruals (881) ***(To include accrual for this year)***

Dr Retained Earnings (991) Cr Accruals (881) ***(to include Accrual B/Fwd)***

Pre-Comparative

Dr Retained Earnings (991)

Cr Accruals (881) ***(to Include Accrual for the year)***

Sample Notes created by Transitional Adjustments Tool

Balance Sheet – Assets and Liabilities (as below)

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File View Tools Help

Trial Balance Compliance Database Styles Formatted TB Word Pages Refresh Pages Status Period Cost Centre Analysis Combined iXBRL

Desktop Produce Accounts Gatsby Antiques Limited - 31st December 2014

Clients and Accounts Nominal Ledger Nominal Reporting Groups Journals Produce Accounts Reports Client Analysis Staff

Desktop Sales Ledger Purchase Ledger Bank Accounts Nominal Ledger Recent Clients Registers Working Papers

Balanc... Adjustment

	BALANCE SHEET - ASSETS AND LIABILITIES					
	At 1 January 2013		At 31 December 2013			
	As previously stated	Effect of transition	As restated	As previously stated	Effect of transition	As restated
€	€	€	€	€	€	
Fixed Assets						
Intangible assets	173,200	-	173,200	116,150	-	116,150
Tangible assets (i)	332,604	56,115	388,719	349,578	56,115	405,693
Financial assets	128,848	-	128,848	128,848	-	128,848
	634,652	56,115	690,767	594,576	56,115	650,691
Current Assets						
Stocks (ii)	4,670,890	(40,123)	4,630,767	5,757,038	(80,321)	5,676,717
Receivables	2,008,246	-	2,008,246	5,201,217	-	5,201,217
Investments	100	-	100	300	-	300
Cash at bank and in hand	1,911,945	-	1,911,945	1,083,532	-	1,083,532
	8,591,181	(40,123)	8,551,058	12,042,087	(80,321)	11,961,766
Payables: Amounts falling due within one year (iii)	(5,324,748)	(67,632)	(5,392,380)	(5,266,960)	(73,903)	(5,340,863)

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Balance Sheet – Equity (as below)

Relate Accounts Production Version 2.0

File View Tools Help

Trial Balance Compliance Database Styles Formatted TB Word Pages Refresh Pages Status Period Cost Centre Analysis Combined iXBRL

Desktop Produce Accounts Gatsby Antiques Limited - 31st December 2014

Clients and Accounts Nominal Ledger Nominal Reporting Groups Journals Produce Accounts Reports Client Analysis Staff

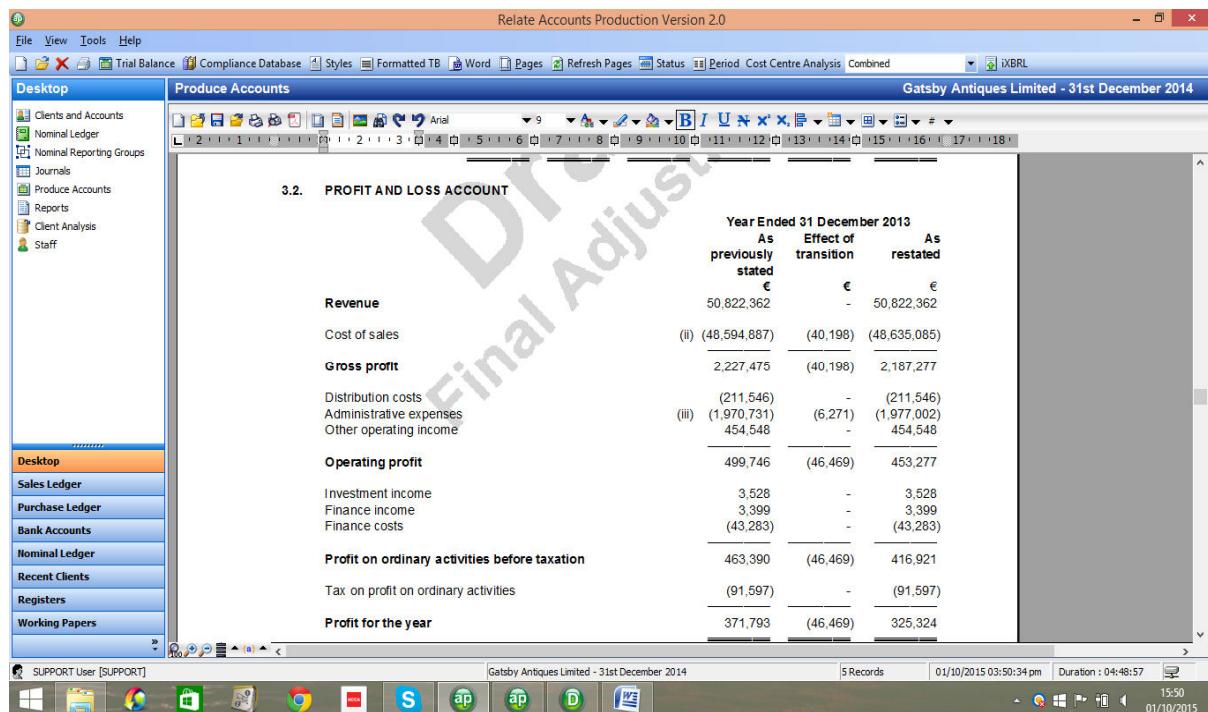
Desktop Sales Ledger Purchase Ledger Bank Accounts Nominal Ledger Recent Clients Registers Working Papers

Balanc... Adjustment

	Gatsby Antiques Limited					
	NOTES TO THE FINANCIAL STATEMENTS					
	continued					
for the year ended 31 December 2014						
3.1. BALANCE SHEET - EQUITY						
	At 1 January 2013		At 31 December 2013			
	As previously stated	Effect of transition	As restated	As previously stated	Effect of transition	As restated
	€	€	€	€	€	€
Equity						
Called up share capital	250,000	-	250,000	250,000	-	250,000
Share premium account	3,948	-	3,948	3,948	-	3,948
Revaluation reserve (i)	-	57,260	57,260	-	57,260	57,260
Profit and loss account (ii)	3,295,337	(108,900)	3,186,437	3,351,260	(155,369)	3,195,891
Equity attributable to Shareholders of the Company	3,549,285	(51,640)	3,497,645	3,605,208	(98,109)	3,507,099
3.2. PROFIT AND LOSS ACCOUNT						

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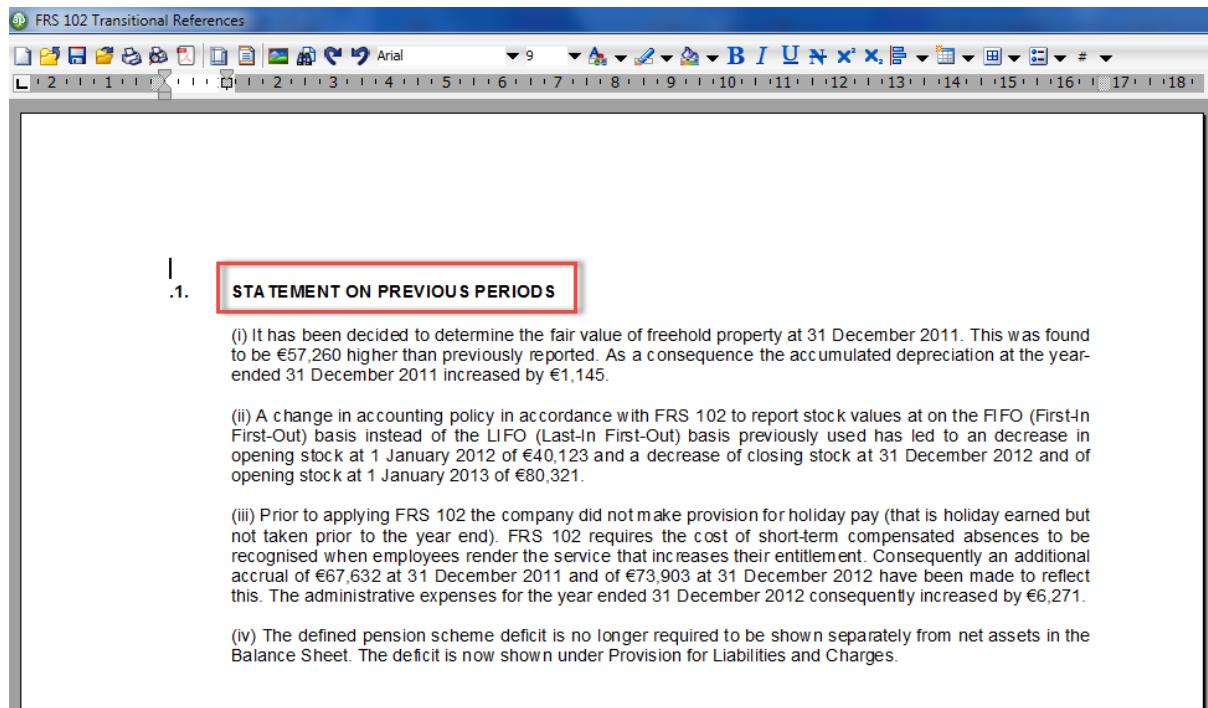
Profit and Loss Account (as below)



The screenshot shows the Relate Accounts Production Version 2.0 software interface. The main window displays a Profit and Loss Account for Gatsby Antiques Limited as of 31st December 2013. The account is structured with revenue, costs, and profit items, comparing 'As previously stated' with 'As restated' figures. The 'As restated' column shows significant changes, particularly in the cost of sales and administrative expenses. The software interface includes a toolbar at the top, a navigation bar on the left, and a status bar at the bottom.

3.2. PROFIT AND LOSS ACCOUNT			
Year Ended 31 December 2013			
	As previously stated	Effect of transition	As restated
Revenue	50,822,362	-	50,822,362
Cost of sales	(ii) (48,594,887)	(40,198)	(48,635,085)
Gross profit	2,227,475	(40,198)	2,187,277
Distribution costs	(211,546)	-	(211,546)
Administrative expenses	(iii) (1,970,731)	(6,271)	(1,977,002)
Other operating income	454,548	-	454,548
Operating profit	499,746	(46,469)	453,277
Investment income	3,528	-	3,528
Finance income	3,399	-	3,399
Finance costs	(43,283)	-	(43,283)
Profit on ordinary activities before taxation	463,390	(46,469)	416,921
Tax on profit on ordinary activities	(91,597)	-	(91,597)
Profit for the year	371,793	(46,469)	325,324

Explanatory Statements on Adjustments (as below)



The screenshot shows the Relate Accounts Production Version 2.0 software interface. The main window displays a section titled 'STATEMENT ON PREVIOUS PERIODS' in a red-bordered box. Below this, four numbered points (i) through (iv) describe specific accounting adjustments made in accordance with FRS 102. The software interface includes a toolbar at the top, a navigation bar on the left, and a status bar at the bottom.

STATEMENT ON PREVIOUS PERIODS

- (i) It has been decided to determine the fair value of freehold property at 31 December 2011. This was found to be €57,260 higher than previously reported. As a consequence the accumulated depreciation at the year-ended 31 December 2011 increased by €1,145.
- (ii) A change in accounting policy in accordance with FRS 102 to report stock values on the FIFO (First-In First-Out) basis instead of the LIFO (Last-In First-Out) basis previously used has led to an decrease in opening stock at 1 January 2012 of €40,123 and a decrease of closing stock at 31 December 2012 and of opening stock at 1 January 2013 of €80,321.
- (iii) Prior to applying FRS 102 the company did not make provision for holiday pay (that is holiday earned but not taken prior to the year end). FRS 102 requires the cost of short-term compensated absences to be recognised when employees render the service that increases their entitlement. Consequently an additional accrual of €67,632 at 31 December 2011 and of €73,903 at 31 December 2012 have been made to reflect this. The administrative expenses for the year ended 31 December 2012 consequently increased by €6,271.
- (iv) The defined pension scheme deficit is no longer required to be shown separately from net assets in the Balance Sheet. The deficit is now shown under Provision for Liabilities and Charges.

Disclaimer - Relate Software strives to ensure that all of its formats are as compliant as possible. However, the duty of ensuring complete compliance with the relevant legislation and accounting framework is always that of the individual preparer of the accounts.