



Relate Accounts Production

FRS 102 DISCLOSURE

**Using Relate Accounts Production to produce
FRS 102 Compliant Financial Statements**

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ACCOUNTING REGIMES

Size of Private Entity	Year-Start 1 st Jan 2015	Old GAAP	FRSSE (Apr 2008)	FRS 102	FRSSE (Jan 2015)
Small	Before	✓	✓	✓	✓
Small	On/After	-	-	✓	✓
Non-Small	Before	✓	-	✓	-
Non-Small	On/After	-	-	✓	-

- All options are built into RAP, so new datasets are not required when changing regime.
- The new FRSSE might become a reduced version of FRS 102, but RAP will easily deal with such a change.



CONSISTENT DISCLOSURES

- Company law and regulations must still be followed
- In RAP changes to new terminology are optional
- Option to split certain items when appropriate, such as Investment Properties



FUTURE CHANGES

- RAP will be updated in a timely manner to deal with changes to the standard such as:
 - Further clarification of the standard
 - Changes resulting from updates to international standards
 - Changes to law and regulations
 - New EC Directives
- RAP will also include new SORPs being revised to be consistent with FRS 102



NEW DISCLOSURE LANGUAGE (1)

Built-in options in RAP for the Primary Statements

OLD GAAP	FRS 102
Profit and Loss Account	Income Statement
Statement of Total Recognised Gains and Losses	Other Comprehensive Income
Balance Sheet	Statement of Financial Position
Reconciliation of Shareholders' Funds	Statement of Changes in Equity
Cash Flow Statement	Statement of Cash Flows

- May be adopted individually or collectively
- Where combinations are selected, corresponding accounting policies automatically produced



NEW DISCLOSURE LANGUAGE (2)

Built-in options in RAP for other descriptive changes

OLD GAAP	FRS 102
Tangible Assets	Property, Plant and Equipment
Fixed Assets	Non-Current Assets
Debtors	Receivables
Stock	Inventories
Creditors	Payables
Minority Interests	Non-Controlling Interests
Capital and Reserves	Equity
Turnover	Revenue
Net Realisable Value	Estimated Selling Price less Costs to Complete and Sell
Interest Payable and Similar Charges	Finance Costs
Interest Receivable and Similar Income	Finance Income/Investment Income
Net Book Value	Carrying Amounts
Post-Balance Sheet Events	Events after End of Reporting Period



REMINDERS

Built-in reminders in the RAP Compliance Database of the disclosure entries required, such as:

- **Investment properties:**
 - How fair value determined
 - Securities pledged
 - Undeveloped land not at fair value
- **Exemptions claimed by group companies:**
 - Statement of cash flows
 - Other financial instruments etc.
- **Period of financial statements:**
 - Length of period and reason for longer or shorter period
 - Incomparability of comparative amounts



TRANSITION TO FRS 102

Our recommended procedure

- Establish the transitional adjustments for the 2 prior years
- Check the opening balances
- Enter the FRS 102 transitional adjustments using the **special transitional facility provided**
- Check the brought forward adjustments in the comparatives
- Post current year journal to adjust opening balances
- Enter text with references explaining how the adjustments arose

Use the Relate Accounts Production facility to auto-check brought forward amounts



KEY ACCOUNTING POLICIES

RAP has all the accounting policies including these key ones:

- Statement of Compliance
- Basis of Preparation
- Methods for reporting associates and joint ventures in consolidated financial statements
- Development Costs
- Stock
- Retained Earnings on the Profit and Loss Account
- Government Grants



DETAILS OF ENTITY

The first note provides:

- A statement on the legal form on the entity
- Country of incorporation



DISCONTINUED OPERATIONS

- The Profit and Loss Account (Income Statement) is produced in columnar form per example in FRS 102
- Example is in the guide provided
- Includes items below the operating profit line
- When there are no discontinued operations, there is now no requirement to refer to continuing operations



STATEMENT OF CHANGES IN EQUITY

- New primary statement replacing the Reconciliation of Shareholders' Funds and Reserves notes
- Shows changes in comparative as well as current year
- For consolidated financial statements it shows the split of equity between "Owners of Parent Company" and "Non-Controlling Interests".
- Restatement of prior year material errors and changes to accounting policies
- Note explaining the changes



STATEMENT OF CASH FLOWS (1)

- 3 Categories:
 - Operating activities
 - Investing activities (except cash equivalents)
 - Financing activities
- Indirect method is used in RAP with Operating Activities determined by:
 - Net profit/loss
 - Deducting items below operating profit
 - Adjusting non-cash items - working capital shown separately
 - Add back of cash items below operating profit



STATEMENT OF CASH FLOWS (2)

RAP provides option to split these items across categories

	Operating	Investing	Financing
Interest Received	✓	Default	✓
Interest Paid	Default	✓	✓
Dividends Received	✓	Default	✓
Dividends Paid	✓	N/A	Default
Tax Paid/Repaid	Default	✓	✓



STATEMENT OF CASH FLOWS (3)

Note in RAP on Reconciliation and Explanation

- Reconciliation of cash and cash equivalents to the Balance Sheet
- A further reconciling entry may be added in such as:
“Cash and bank balances included in a disposal group for resale”
- Explanation of any lack of availability of cash and cash equivalents because of, say, foreign exchange controls or legal restrictions may be added in



INVESTMENT PROPERTIES

RAP provides the means to record these entries:

- Fair value gains and losses
- Deferred tax on these gains and losses
- On transition, the transfer of the investment property reserve balance to the profit and loss reserve
- Optionally splitting of profit and loss reserve into distributable and non-distributable reserves (gains not being realisable)
- Note on fair value, security pledged, undeveloped land not at fair value (undue cost or effort) etc.
- Optionally use cost less depreciation/impairment model (if cannot be measured reliably without undue cost or effort)



OTHER FINANCIAL INSTRUMENTS

Fair value posting facilities in RAP exist for:

- Complex loan agreements
 - Such as when interest rates linked to commodity or equity prices
- Investments in shares of subsidiaries
- Long-term inter-company loans (if no interest)
- Derivatives (not previously required)
 - Foreign exchange forward contracts
 - Interest rate swaps
 - Cross-currency swaps etc.
- Other user-defined financial instruments



EXAMPLE DERIVATIVE

Foreign exchange forward contract re sale worth \$90,000 to the United States for settlement after 3 months using a forward rate of €1.33:\$1

Date Description	Date	Spot Rate	Forward Rate to 15 February 2014
Transaction	15 th November 2013	1.30	1.33
Year-End	31 st December 2013	1.26	1.28
Settlement	15 th February 2014	1.24	-

- **At transaction date** sale recognised at the spot rate of 1.30 giving sales value and debtor of €69,231 and forward contract at fair value of zero
- **At year-end date** debtor retranslated at the year-end spot rate of 1.26 giving a foreign exchange gain and increase in debtors of €2,198; the derivative was recognised at fair value giving a loss on the derivative and an increase in the derivative liability of €2,643



INTANGIBLE FIXED ASSETS

RAP supplies additional classes of intangibles for classes that arise on business combinations such as:

- Operating licences
- Customer contracts
- Databases
- Domain names
- Software

All these intangibles must and can be amortised using RAP



DEFERRED TAX

More categories are available in RAP such as:

- Timing differences re business combinations adjusted initially against goodwill
- Timing differences from revaluing non-monetary assets

Remember not to discount deferred tax anymore



EMPLOYMENT BENEFITS

- In RAP short-term benefits can be accrued such as:
 - Wages, salaries and employer's PRSI
 - Paid annual leave and sick leave
 - Profit-sharing bonuses
 - Non-monetary assets
- New requirements for post-employment benefits re defined benefit schemes are also in RAP:
 - Current service cost and net interest on net scheme assets/liabilities recognised in profit or loss
 - Re-measurement of net defined benefit scheme assets and liabilities recognised in Other Comprehensive Income (STRGL)



LEASING

- Finance leasing commitments maturity analysis now shows only Net Book Value (Carrying Amount) excluding Depreciation
- There is a note for detailing significant finance leasing arrangements
- Operating leases referred to as non-cancellable
- There is a note for detailing lease payments as an expense



Other Miscellaneous Items

- Note on Share Ownership of Company
 - By the company itself, subsidiaries, associates and joint ventures
- Going Concern
 - Statement under “Directors’ Responsibilities”
- Note on Sales Agreement for Major Disposal of Assets or of a Disposal Group
- Business Combinations
 - In RAP can implement change in controlling interest in subsidiaries (if not a loss of control) by treatment as transaction with equity shareholders



SUMMARY

- All the changed areas of disclosure are in RAP
- Example set of financial statements illustrates a selection of the required disclosures
- Example shows illustrations of the options exercised to use the new terminology
- Use of RAP will help immensely with the transitional issues
- Use of RAP will help ensure that disclosures requirements are not overlooked