

FRED 87 'Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland

A [public consultation](#) issued by the Financial Reporting Council, United Kingdom
Comments from ACCA to the Financial Reporting Council, United Kingdom

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About ACCA:

We are ACCA (the Association of Chartered Certified Accountants), a globally recognised professional accountancy body providing qualifications and advancing standards in accountancy worldwide.

Founded in 1904 to widen access to the accountancy profession, we have long championed inclusion and today proudly support a diverse community of over 257,900 members and 530,100 future members in 180 countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by organisations and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators, and other accountancy bodies, we are strengthening and building a profession that drives a sustainable future for all. Find out more at: www.accaglobal.com

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GENERAL COMMENTS

ACCA welcomes the opportunity to provide feedback on FRED 87 'Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Adapted formats.

Broadly, ACCA is supportive of the proposed amendments, to reflect previous amendments to IAS 1 and the replacement of IAS 1 with IFRS 18. ACCA has consistently advocated for consistency with international reporting standards, enabling enhanced comparability of financial statements internationally. The proposed amendments do not appear to impose a disproportionate burden on affected entities however it will be helpful if the FRC can engage with UK and Irish software providers regarding the changes.

In addition, as both planned and future updates to FRS 102 are implemented, ACCA urge the FRC to conduct appropriate outreach to inform the relevant stakeholders such as the business finance community including finance providers, investors and rating agencies to ensure the changes, including those relating to presentation, are properly understood.

Consultation Questions

Question 1. Do you agree with the proposed changes to the line items required when choosing to adapt the formats? Why or why not?

Comment:

Feedback from our members is that the adapted formats in FRS 102 are rarely used. Therefore, while we are supportive of updating FRS102 to maintain a degree of alignment between the adapted formats and the presentation within adopted IFRS, we expect very few entities will be impacted by these proposals.

For the entities using the adapted formats these updates will increase comparability to financial statements prepared under IFRS 18. It will also potentially reduce effort if the entity is a member of a group applying IFRS in its consolidated financial statements.

Section 1A

Appendix A Guidance on adapting the balance sheet formats to Section 1A

The separate presentation of goodwill from other intangible assets may serve to improve the decision-relevance of the financial statements. We note the change proposed to 1AA.4 (b) is a consequence of the change to 1AA.3 and is cited as the deletion of what would otherwise be a duplicative requirement to separate goodwill from other intangible assets. We agree with the proposed deletion of 1AA.4 (b), removing the subclassification of “goodwill and other intangible assets” where the proposed changes to 1AA.3 are implemented.

Appendix B Guidance on adapting the profit and loss account formats to Section 1A

We agree with the inclusion of “operating expenses”, “operating profit” and “profit or loss before financing and taxation” as line items in 1AB.3. To ensure comparability of financial information, it would be helpful to clarify what constitutes an operating expense and the approach to determine operating profit. While not considering critical, it may be worth including “finance costs” as line item 1AB.3 (cB) to ensure consistent presentation/ labelling of finance costs.

Draft amendments to Section 4 Statement of Financial Position

The separate presentation of goodwill from other intangible assets may serve to improve the decision-relevance of the financial statements. We agree with updating 4.2B (b) to “intangible assets other than goodwill in classifications appropriate to the entity”. ACCA support the proposed update to paragraph 4.2B (b) to ensure consistency with the updated presentation proposed at 4.2A(c).

Draft amendments to Section 5 Statement of Comprehensive Income and Income Statements

We agree with the inclusion of “operating expenses”, “operating profit” and “profit or loss before financing and taxation” as line items in 5.5B via 5.5B, 5.5B (bA) and 5.5B (cA) respectively. To ensure comparability of financial information it would be helpful to clarify what constitutes an

operating expense and the approach to determine operating profit. While not considered critical it may be appropriate to retain the caption “finance costs” after 5.5B (cA) to ensure consistent presentation/ labelling of finance costs.

Additionally, we would suggest that the naming convention of the changes in 5.5B (h) be updated to:

“each item of other comprehensive income classified by nature (excluding amounts in (i)), with each component presented either (a) net of related tax effect; or (b) before the related tax effects with one amount shown for the aggregate amount of income tax relating to those components”

instead of:

“each item of other comprehensive income classified by nature (excluding amounts in (i)), with each component presented either (i) net of related tax effect; or (ii) before the related tax effects with one amount shown for the aggregate amount of income tax relating to those components”

to ensure the language “(excluding amounts in (i))” within 5.5B (h) is properly interpreted as referring to 5.5B (i) “share of other comprehensive income of associates and jointly controlled entities accounted for using the equity method; and”.

Question 2.

(a) Do you agree with the proposed approach of not incorporating the full category-based requirements from IFRS 18 into FRS 102 at this time? Why or why not?

Comment:

In general, our view is that to retain the comparability and advantages of global standards, national standard setters should refrain as far as possible from amending the global standards, or providing their own authoritative guidance on its interpretation, or implementation in their national context. However, ACCA note the FRS 102 standard has already diverged from IFRS for SMEs in significant respects, both on and since initial publication as FRS 102 serves specific markets and users and the standard reflects local company law requirements.

Based on the proposed amended presentation in the income statement (1AB.3 for small entities and 5.5B for medium and large entities), income and expenses will effectively be disclosed in operating, financing and tax categories with all other items. However, the presentation of income and expenses from investing activities is unclear. We note the definition of operating activities under FRS 102 is “the principal revenue-producing activities of the entity and other activities that are not investing or financing activities”. We suggest the FRC clarify the appropriate category to present income and expenses from investing activities to facilitate consistent presentation.

(b) Do you foresee any issues for preparers with this proposed approach?

Comment:

We do not foresee any issues with the proposal.

Question 3. Do you agree with the proposed changes to the definitions of current and non-current assets and of current liabilities? Why or why not?

Comment:

Draft amendments to Appendix I Glossary

We note that definition of current assets, for the purpose of an entity applying paragraph 1A (1) of Schedule 1 to the Regulations) has been updated to be consistent with the definition of current assets in IFRS 18.99 and do not see any issue with this change.

We note that definition of current liabilities, for the purpose of an entity applying paragraph 1A (1) of Schedule 1 to the Regulations) has been updated to be consistent with the definition of current assets in IFRS 18.101 and do not see any issue with this change.

We note that definition of non- current assets, has been updated to

“Assets of an entity choosing to apply paragraph 1A (1) of Schedule 1 to the Regulations which are not current assets (for the purposes of an entity applying paragraph 1A (1) of Schedule 1 to the Regulations).

Is it the intention that this new definition applies to entities other than those choosing to apply paragraph 1A (1) of Schedule 1 to the Regulations which are not current assets (for the purposes of an entity applying paragraph 1A (1) of Schedule 1 to the Regulations)? The wording proposed does not indicate it applies to other entities. In the existing FRS 102 standards there is one definition of non-current assets covering all entities:

“Assets of the entity which: (a) it does not expect to realise, or intend to sell or consume, in its normal operating cycle; (b) it does not hold primarily for the purpose of trading; (c) it does not expect to realise within 12 months after the reporting period; or (d) are cash or cash equivalents restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.”

Question 4. Do you agree with the proposed effective date for these amendments? Why or why not?

Comment:

Yes – ACCA agree with the effective date which aligns to the effective date for IFRS 18. In addition, this effective date should be revised to track the effective date of IFRS 18 should it be amended.

Question 5. Do you agree with the conclusion in the consultation stage impact assessment? Why or why not?

Comment:

As noted in our response to question 1 feedback from our members is that the adapted formats in FRS 102 are rarely used, if at all. Therefore, while we are supportive of updating FRS102 to maintain a degree of alignment between the adapted formats and the presentation within adopted IFRS, we expect very few entities will be impacted by these proposals.

Broadly speaking, as both planned and future updates to FRS 102 are implemented, ACCA urge the FRC to conduct outreach to relevant stakeholders such as the business finance community (e.g. finance providers) to ensure the updates are properly understood. It is important that knowledge gaps do not result in any unintended consequences for companies. In addition to the proposed updates that are the subject of this consultation ACCA notes there are planned updates to FRS 102 in relation to lease accounting and revenue recognition models aligning with IFRS 16 and IFRS 15 (effective from 1 January 2026). Where a change to FRS 102 is expected to impact net profit, stakeholders would appreciate communication from the FRC explaining these impacts before the new or amended requirement is effective.