

Accounting policy choices under FRS 102

FRS 102 introduces some choice of terminology, adopting terms which are more commonly used in IFRS and US GAAP. We expect many UK companies to retain the familiar UK terms, but companies with significant stakeholders outside of the UK may wish to adopt the terminology that will be familiar to overseas readers. This will entail adopting an “International” format balance sheet and P+L instead of using the Companies Act version. Directors may wish to consider whether adopting new terminology will help to signpost that the new regime has been applied or whether they would prefer to use language that will be familiar to users.

The table below shows some of the common differences between existing UK terms and those used by FRS 102.

Companies Act/Current UK GAAP terminology	FRS 102 terminology
Balance sheet	Statement of financial position
Statement of movements in shareholders’ funds	Statement of changes in equity *
Capital and reserves	Equity
Debtors	Trade receivables
Diminution in value [of assets]	Impairment
Interest payable and similar charges	Finance costs
Interest receivable and similar income	Finance income/Investment income
Minority interests	Non-controlling interest
Net realisable value [of a current asset]	Estimated selling price less costs to complete and sell
Profit and loss account	Income statement (under the two-statement approach)
	Part of the statement of comprehensive income (under the single – statement approach)
Related undertakings	Subsidiaries, associates and joint ventures
Stocks	Inventories
Tangible assets	Includes: Property, plant equipment; Investment property
Trade creditors	Trade payables

* Note this is a primary statement, not a note to the accounts as under current UK GAAP

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In addition, the Statement of Total Recognised Gains and Losses will no longer be required. In its place is the statement of Other Comprehensive Income. Although this fulfils a similar function to the STRGL it is not a direct equivalent and there is no right to continue to use STRGL.

Definition of Operating profit

Unlike current UK GAAP, FRS 102 does not require disclosure of "Operating profit", which is a common component of KPIs and bank covenants. We expect most companies to retain this heading and to take a policy decision as to what items are included in arriving at this heading. If the heading is adopted it should include all items which are closely related to operations, including those which are irregular or individually material, or which are non-cash items.

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