

Financial Reporting News

IASB – amendment to IFRS 16

The International Accounting Standards Board (IASB) has issued an amendment to IFRS 16 Leases to make it easier for lessees to account for covid-19-related rent concessions such as rent holidays and temporary rent reductions.

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

The amendment is effective 1 June 2020 but, to ensure the relief is available when needed most, lessees can apply the amendment immediately in any financial statements—interim or annual—not yet authorised for issue.

Source: www.ifrs.org

Company reporting since the onset of Covid-19

The Financial Reporting Council (FRC) has completed its first thematic review of company reporting since the onset of the Covid-19 pandemic.

The review found that although companies provided sufficient information to enable a user to understand the impact Covid-19 had on their performance, position and future prospects, some - particularly interim reports - would have benefited from more extensive disclosure.

This review of a sample of March interim and annual reports and accounts includes guidance and best practice examples from companies currently preparing their annual and interim accounts. A copy of the review can be found at <http://www.frc.org.uk/document-library/corporate-reporting-review/2020/crr-covid-19-thematic-review-july-2020>.

Source: www.frc.org.uk

FRC proposes amendments to accounting standards in the UK and Ireland

The Financial Reporting Council (FRC) has recently published two exposure drafts proposing amendments to accounting standards in the UK and Ireland;

- **FRED 75 Draft amendments to FRS 104 – Going Concern; and**
- **FRED 76 Draft amendments to FRS 102 and FRS 105 – Covid-19 related rent concessions**

Many lessees have been granted rent concessions as a result of the Covid-19 pandemic will have. FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland does not explicitly specify how to account for changes in lease payments that result from rent concessions.

FRED 76 proposes explicit requirements for accounting for temporary rent concessions for operating leases occurring as a direct consequence of the Covid-19 pandemic, and within a limited timeframe. The proposed amendments would result in temporary rent concessions being recognised over the period the concession is intended to compensate.

FRED 75 proposes to clarify the requirement to assess the going concern basis of accounting and require disclosure of any related material uncertainties, when preparing interim financial statements in accordance with FRS 104.

The proposals in FRED 75 are expected to apply to interim periods beginning on or after 1 January 2021, and the proposals in FRED 76 are expected to apply to accounting periods beginning on or after 1 January 2020. In both cases early application will be permitted.

Source: www.frc.org.uk