

# Financial Reporting News

## Amendments to UK and Ireland accounting standards

The Financial Reporting Council (FRC) recently amended both FRS 102 and FRS 105 to address a topical issue of temporary rent concessions granted as a result of Covid-19.

Many lessees have been granted temporary rent concessions as a result of the Covid-19 pandemic, including temporary rent reductions or rent holidays. Neither FRS 102 nor FRS 105 explicitly stated how changes in lease payments resulting from rent concessions should be accounted for. This could have led to differences in accounting treatment in relation to changes in lease payments arising under similar circumstances, undermining comparability and being unhelpful to the users of financial statements.

As a result three new paragraphs, 20.15C, 20.15D and 20.25B, have been inserted into FRS 102, Section 20 (Leases) which require that any change in lease payments arising from rent concessions be recognised on a systematic basis over the periods that the change in lease payments is intended to compensate.

The above requirement applies only to temporary rent concessions occurring as a direct consequence of Covid-19 and only where all of the following conditions are satisfied;

- a. the change in lease payments results in revised consideration for the lease that is less than the consideration for the lease immediately preceding the change;
- b. any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- c. there is no significant change to other terms and conditions of the lease.

Where a lessee accounts for a change in lease payments arising from rent concessions in accordance with paragraph 20.15C they must disclose the amount of any change in lease payments recognised in profit or loss. Similar amendments have been made to FRS 105, the Financial Reporting Standard applicable to the Micro-entities Regime.

Source: [www.frc.org.uk](http://www.frc.org.uk)

## Reporting the impact of Covid-19

The Irish Auditing and Accounting Supervisory Authority (IAASA) has recently published an information note 'Reporting the Impact of Covid-19'. The purpose of the note is to highlight to management, audit committees and those charged with governance, the importance of high-quality disclosures on the impact of Covid-19 in annual financial statements and half-yearly financial reports.

The information note has been produced following IAASA's desktop examination of the half-yearly financial reports of twenty equity issuers and the annual financial statements of one equity issuer all with 2020 reporting dates. While the information note identifies areas of high-quality disclosures, a number of areas have been identified by IAASA where disclosures were considered to be of a lower quality and may be indicative of increased risk of non-compliance with International Financial Reporting Standards (IFRS), including:

- Explanation of critical judgements and material uncertainties;
- Indicators of impairment of non-financial assets including key assumptions and sensitivities;
- Recognition and measurement of expected credit losses (ECL);
- Disclosure of government assistance;
- Going concern disclosures;
- Disclosures in relation to the entity's prospects and the expected impact of any mitigating actions in the annual management report.

The information note is available to download at [www.iaasa.ie](http://www.iaasa.ie).

Source: [www.iaasa.ie](http://www.iaasa.ie)

## Global approach to sustainability reporting

The importance of sustainability reporting is continuing to increase among a number of stakeholders, including investors, central banks, regulators, public policy makers and auditors. As a result, the Trustees of the IFRS foundation have published a consultation paper to assess the need for a global sustainability reporting standards and the role, if any, that the foundation should play in the development of such standards.

With a heightened focus on environmental, social and governance (ESG) matters, developments in sustainability reporting and increased calls for standardisation of such reporting, the Trustees are seeking stakeholder input on the need for global sustainability standards and gauging support for the Foundation to play a role in the development of such standards. The consultation is open for comment until 31 December 2020.

Source: [www.ifrs.org](http://www.ifrs.org)