



Preparing for the 2022/23 reporting season

24 November 2022

This webinar will commence shortly

Introduction



Kate Beeston
Technical Manager
Financial Reporting Faculty, ICAEW

Today's presenters

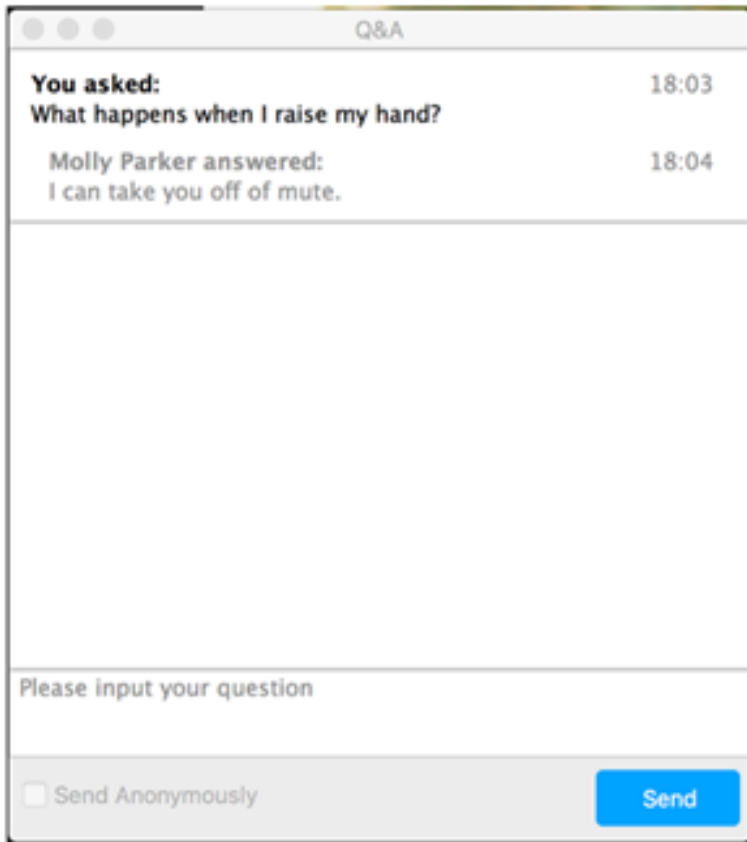


Julia Loveland
Senior Manager
Grant Thornton



Malcolm Millar
Case Director
FRC

Ask a question and access resources



The screenshot shows a Q&A window with a title bar containing three window control buttons and the text 'Q&A'. The main content area displays a question and answer:

You asked: 18:03
What happens when I raise my hand?

Molly Parker answered: 18:04
I can take you off of mute.

Below the answer is a large empty text area. At the bottom of the window, there is a text input field with the placeholder text 'Please input your question'. To the left of the input field is a checkbox labeled 'Send Anonymously'. To the right is a blue button labeled 'Send'. An arrow points from the 'Send' button to the text in the adjacent block.

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Contents

Year in summary

Common areas of FRC challenge

Key messages for 2022/23

FRC thematic reviews

Practical tips to achieve high quality reporting

Poll Question 1

Which area of the report and accounts are you most involved with which will require most additional focus this year?

- a) Going concern/ viability
- b) Impairment
- c) Narrative reporting
- d) Something else

FRC - CRR publications – 2022

- Key documents:
 - Annual Review of Corporate Reporting 2021/22
 - Key matters bulletin
 - Thematic review findings:
 - Discount rates
 - TCFD Disclosures
 - Judgements and Estimates
 - Earnings per Share
 - Deferred tax assets
 - Business combinations
- <https://www.frc.org.uk/>

Year in summary



heightened economic and geo-political uncertainty



quality of FTSE 350 reporting maintained



better reporting of judgements and estimates, revenue, impairment of non-financial assets and APMs



scope for improvement in reporting of cash flows, financial instruments and income taxes

Common areas of FRC challenge

- Overall findings

- 103 substantive letters from 252 reviews (2020/21: 97 from 246)
- 27 companies with required references (2020/21: 15)

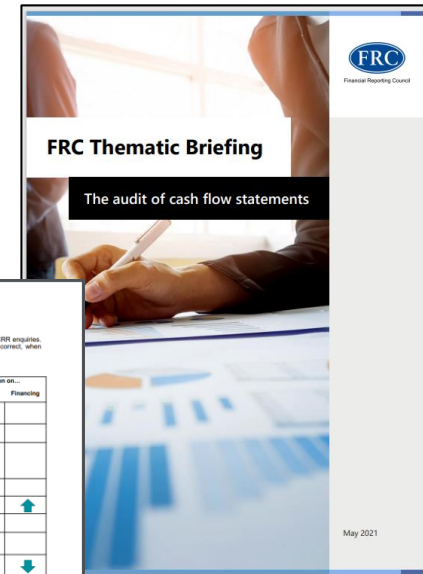
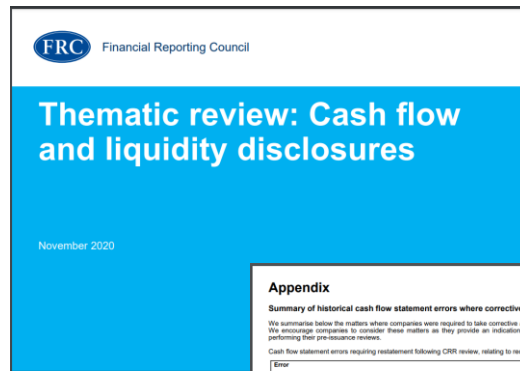
Topic	2021/22	2020/21	2019/20
Cash flow statements	1	3	7=
Financial instruments	2	6	4
Income taxes	3	9=	–
Strategic report and other Companies Act 2006 matters	4	7	6
Revenue	5	2	3
Provisions and contingencies	6	8	7=
APMs	7	5	5
Judgements and estimates	8	1	1
Impairment of assets	9=	4	2
Presentation of financial statements and other disclosures	9=	–	–
Leases	–	9=	–
Fair value measurement	–	–	9=
Business combinations	–	–	9=

Common areas of challenge

Cash flow statements



- Incorrect classifications
- Overstated cash outflows
- Non-cash adjustments treated as cash
- Cash and cash equivalents



Appendix
Summary of historical cash flow statement errors where corrective action was required

We summarise below the matters where companies were required to take corrective action by restating the cash flow statement as a result of CRR enquiries. We encourage companies to consider these matters as they provide an indication of the types of issues companies should look for, and correct, when performing their pre-issuance reviews.

Cash flow statement errors requiring restatement following CRR review, relating to reclassifications, included:

Error	Impact of correction on...		
	Operating	Investing	Financing
Payments of purchase consideration for subsidiary undertakings conditional on the continuing employment of the workers in the business incorrectly classified as investing cash flows rather than operating cash flows	↓	↑	
Payments for the purchase of businesses incorrectly classified as operating activities rather than investing activities	↑	↓	
Company presented cash outflows on its investment in legal cases and the purchase of property for resale, relating to a case settlement, within investing activities. However, the cash inflows upon settlement of cases was presented within operating activities. Both types of cash outflow should have been presented within operating activities because they arise in respect of the company's principal revenue-producing activities.	↓	↑	
Post-acquisition and restructuring cost cash flows included within investing activities rather than operating activities	↓	↑	
Cash flows relating to joint venture funding incorrectly classified as financing rather than investing activities		↓	↑
Advances to joint ventures were presented as operating cash flows rather than investing activities	↑	↓	
Acquisition-related expenses recognised in the income statement incorrectly classified as investing activities rather than operating activities	↓	↑	
Company classified promissory notes as debt, but movements in the balance classified as operating, rather than financing, cash flows	↑		↓
Restructuring cash outflow incorrectly classified as investing activities rather than operating activities	↓	↑	
Incorrect classification of movements in certain restricted cash balances, which were included in financing activities rather than investing activities		↓	↑

Thematic review: Cash flow and liquidity disclosures (Nov 2020) Financial Reporting Council 33

Common areas of challenge

Financial instruments



Areas of challenge

- Transparency
- Expected credit loss (ECL) provisions and credit risk disclosures
- Liquidity disclosures

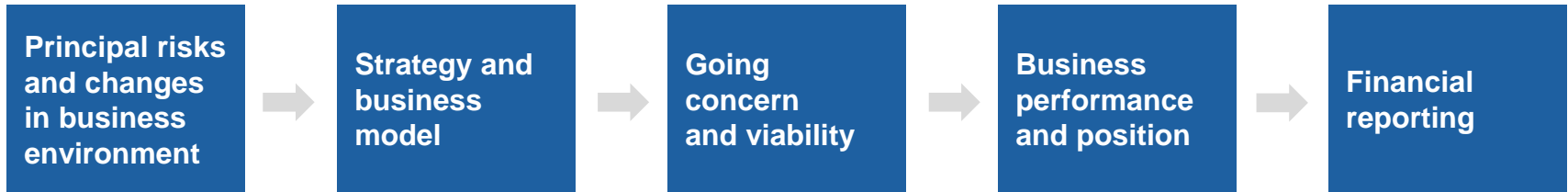


Restatements

- Inappropriate offsetting
- Foreign currency convertible bond

Key messages for 2022/23

Reporting in uncertain times



Companies should:

explain the risks and changes in the business environment and their impact on the company's position, performance and prospects

consider the effect of uncertainty on the recognition and measurement of assets and liabilities; and disclosures

FRC Thematic Reviews 2022

Thematic review reports cover:

- Discount rates
- TCFD disclosures and climate
- Judgements and Estimates
- Earnings Per Share
- Deferred Tax Assets
- Business Combinations

<https://www.frc.org.uk/accountants/corporate-reporting-review/corporate-reporting-thematic-reviews>

Expectations arising from thematic reviews

Discount Rates



Ensure that assumptions used for discount rates and cash flows are internally consistent. Ensure risks are not counted twice



Use a real risk-free rate as the starting point for constructing a discount rate, if cash flows are not adjusted for inflation



Use a pre-tax discount rate and pre-tax cash flows for VIU calculations; or if using a post-tax basis assess whether this will provide an answer that is materially similar



Obtain specialist third party advice when the choice of discount rate has a material effect and no internal expertise exists



Provide high quality disclosures when judgement has been exercised or discount rates are a source of significant estimation uncertainty



Ensure that management commentary is clear and consistent with other disclosures in the financial statements, where assumptions may have a material impact

Expectations arising from thematic reviews

Judgements and Estimates: Update

For **significant estimates** we expect companies to:



Quantify the specific amount at risk of material adjustment.



Provide sufficient granularity in the descriptions of assumptions and/or uncertainties.



Explain any changes to past assumptions if the uncertainty remains unresolved.

For **significant judgements** we expect companies to:




Separately identify the judgements that do not relate to a source of estimation uncertainty and those that do.



Give detailed descriptions of the specific, material judgements made by the directors in applying their accounting policies.

Expectations arising from thematic reviews

Earnings per Share (IAS 33)


 **Weighted average number of shares:** explain if significantly different from other information disclosed on ordinary, and potential ordinary, shares

 **Judgements with a material effect on EPS:** disclosure in accordance with paragraph 122 of IAS 1 (paragraph 8.6 of FRS 102)

 **Adjusted EPS:** disclosures meet requirements of **ESMA Guidelines on APMs** and explain methodology applied, including basis for **tax on adjusting items**

 **Dilutive or antidilutive:** IAS 33 definition is based on the profit or loss from **continuing operations**

 **Share reorganisations involving a bonus element:** retrospective adjustment to the weighted average number of ordinary shares used for all periods presented

 **Preference shares classified as equity:** earnings are adjusted for **all** the effects of those preference shares (or equivalent) - **dividends** and any **premiums on redemption**

Expectations arising from thematic reviews

Deferred tax assets



Base **forecasts of future taxable profit** on assumptions **consistent** with other forecasts (subject to some specific differences).



Reassess recognition of deferred tax assets when there are material changes to deferred tax liabilities in the same taxable entity and tax jurisdiction.



Disclose **company-specific** information about **nature of convincing evidence** supporting deferred tax assets if **recent history of losses**.



Disclose **company-specific** information about deferred tax **judgements and estimates**, including relevant **sensitivities** and/or the range of possible outcomes.



Explain extent to which **climate change** risks have been reflected in deferred tax judgements and estimates.



Provide **transparent and informative** tax disclosures that are **consistent** across the annual report and accounts.

Expectations arising from thematic reviews

Business combinations



Include **clear and concise** disclosure to **explain the impact** of the business combination on the group's **strategy, resources, operations and performance**



Provide a **comprehensive understanding** of the effects of the business combination – tell **'the full story'**:

- **Variability of contingent consideration**
- Deferred tax balances
- Transactions **excluded** from acquisition accounting
- **Sensitivities** of significant estimates
- Cash flow **classification**



Avoid **boilerplate** disclosures

Practical tips on how to achieve high quality reporting

Prepare early for IFRS amendments that will be adopted in 2022/23

- Disclosures
- Accounting policies and key judgements

Look at recent FRC output and act on key recommendations

Cash flow statements

- Prepare early
- Consider the presentation of any new transactions
- Carry out consistency checks

Reporting in an uncertain environment

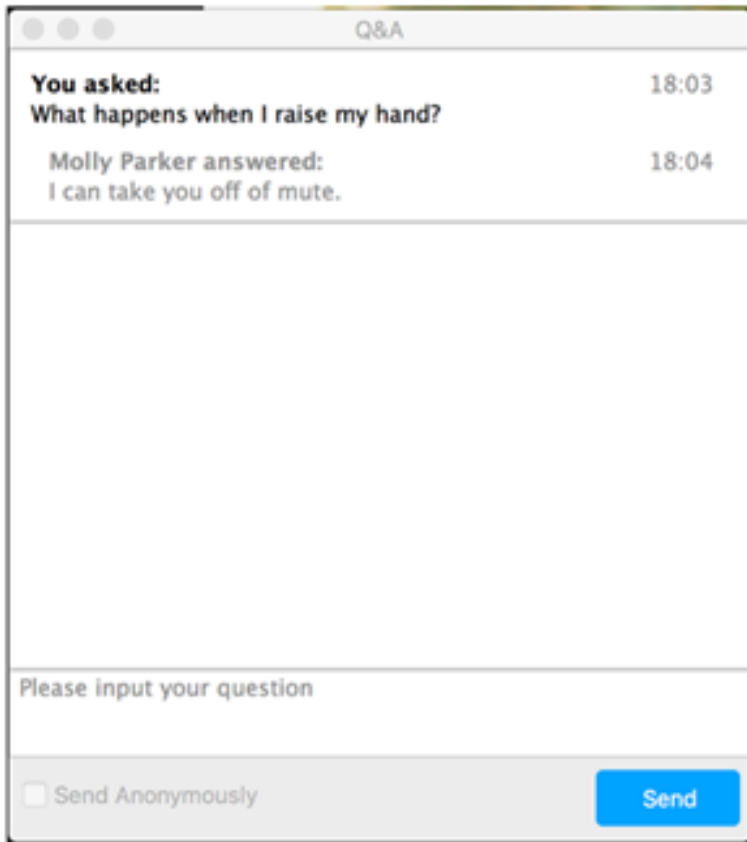
- Identify and disclose significant risks
- Consistency and linkage between front and back end

Climate change

- Prepare early for new disclosure requirements if in scope
- Disclose how climate risks, plans, and commitments are reflected in the financial statements
- Explain climate commitments eg net zero

Consistency and linkage throughout narrative reporting and financial statements

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Faculty resources

Hub pages

- Financial Reporting (icaew.com/financialreporting)
- Non-financial reporting (icaew.com/nfr)

Factsheets (icaew.com/frffactsheets)

- 2022 IFRS Accounts
- 2022 UK GAAP Accounts

Webinars (icaew.com/frfwebinars)

- UK GAAP Update
- IFRS Update
- Narrative Reporting Update
- Introducing the Climate-related Financial Disclosure Regulations

ICAEW KNOW-HOW
FINANCIAL REPORTING FACULTY

2022 UK GAAP ACCOUNTS

UK GAAP FACTSHEET

Published 8 August 2022
Last updated 8 August 2022

2022 UK GAAP Accounts
This factsheet highlights new and modified requirements for preparers of UK GAAP accounts. The factsheet deals primarily with new UK GAAP requirements that are mandatory for accounting periods beginning on or after 1 January 2022.

Key regulations for this factsheet
This factsheet includes links and references to key regulations. There's a summary of the links, and guidance on how to use them, on page 2.

Section 1	Introduction	1
Section 2	Links to regulations	2
Section 3	Reporting in uncertain times	3
Section 4	Overview of regime and summary of changes	7
Section 5	Amendments to FRS 101 – annual improvements	10

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FINANCIAL REPORTING FACULTY

2022 IFRS ACCOUNTS

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Section 3	Reporting in uncertain times	3
Section 4	Summary of changes	7
Section 5	Amended standards mandatory for annual periods beginning in 2022	9
Section 6	New and amended standards mandatory for annual periods beginning in 2023 and beyond	11
Section 7	Contacts and further help	17

Section 1
Introduction

Changes to IFRSs mandatory for 2022 and beyond
There are no major new or amended standards coming into effect for accounting periods beginning in 2022. Nonetheless, year-end reporting will still need thorough planning because of the ongoing effects of the UK exiting the EU, the COVID-19 pandemic, the climate emergency and the war in Ukraine. Although not effective until 2023, the new standard on insurance contracts, IFRS 17, will affect more than solely insurers. The impact of this new standard should be considered carefully sooner rather than later.

Accounting periods beginning before 1 January 2022
Preparers of accounts for accounting periods beginning before 1 January 2022 should refer to the factsheet [2021 IFRS Accounts](#).

Other changes to the requirements for annual reports
This factsheet does not cover narrative reporting requirements or other regulatory changes. More information on regulatory requirements affecting financial reporting can be found in the faculty's factsheet [UK Regulation for Company Accounts](#).

Financial reporting at your fingertips

Financial reporting

View a range of practical resources on UK GAAP, IFRS and UK regulation of financial reporting, and find out more about the ICAEW Financial Reporting Faculty.

Need to know



The screenshot displays three featured articles in a carousel format. The first article is 'Financial reporting news and insights', which provides highlights of the latest guidance published by the Financial Reporting Faculty. The second article is 'Planning for the 2021/22 reporting season - Practical help for preparers', a guide for the current reporting season. The third article is '2021 UK GAAP Accounts', a factsheet for preparers of UK GAAP accounts for periods beginning on or after 1 January 2021. Each article includes a brief description and a 'View more' button.

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Questions



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Thank you for attending



Please take the time to fill out our short survey.



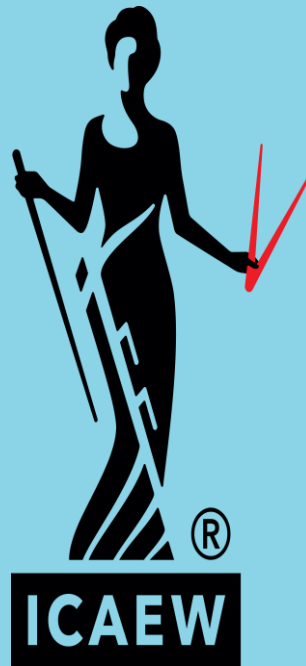
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