ICAEW
REPRESENTATION 26/25

FRS 101 REDUCED DISCLOSURE FRAMEWORK - 2024/25 CYCLE

Issued 6 March 2025

ICAEW welcomes the opportunity to comment on the FRS 101 Reduced Disclosure Framework - 2024/25 cycle published by the Financial Reporting Council on 13 December 2024, a copy of which is available from this link.

We broadly agree with the amendments proposed to FRS 101 *Reduced Disclosure Framework* and agree that FRS 101 will continue to have a positive impact on the cost-effectiveness of the preparation of financial statements, as concluded by the impact assessment.

This response of 6 March 2025 has been prepared by the ICAEW Corporate Reporting Faculty. Recognised internationally as a leading authority on corporate reporting, the faculty, through its Financial and Non-Financial Reporting committees, is responsible for formulating ICAEW policy on corporate reporting issues and makes submissions to standard setters and other external bodies on behalf of ICAEW. The faculty provides an extensive range of services to its members including providing practical assistance with common corporate reporting problems.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of sustainable economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 170,000 chartered accountant members in over 146 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

ICAEW
Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
icaew.com

The Institute of Chartered Accountants in England and Wales (ICAEW) incorporated by Royal Charter (RC000246)
Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

KEY POINTS

SUPPORT FOR THE PROPOSED AMENDMENTS

1. ICAEW welcomes the opportunity to comment on this Exposure Draft (ED). We broadly agree with Financial Reporting Council's (FRC) proposed amendments to FRS 101 *Reduced Disclosure Framework* and agree that the amendments will ensure that the preparation of financial statements under FRS 101 will continue to be cost-effective.

IFRS 18 PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENTS

2. We broadly agree with the proposed amendments:
   - to exempt most qualifying entities from the disclosure requirements in IFRS 18 *Presentation and Disclosure in Financial Statements* related to management-defined performance measures (MPMs);
   - to exempt qualifying entities from disclosing a disaggregation of specified expenses classified by nature as per IFRS 18.83(b); and
   - to maintain extant exemptions that apply to requirements in IAS 1 *Presentation of Financial Statements* that have been retained in IFRS 18 or moved to other IFRS Accounting Standards.

IFRS 19 SUBSIDIARIES WITHOUT PUBLIC ACCOUNTABILITY: DISCLOSURES

3. We strongly agree that entities applying FRS 101 should not apply IFRS 19 *Subsidiaries without Public Accountability: Disclosures*.

ANSWERS TO SPECIFIC QUESTIONS

Question 1(a)

Amendments are proposed to exempt most qualifying entities from the disclosure requirements in IFRS 18 related to management-defined performance measures. Do you agree with these proposed amendments? Why or why not? (See paragraphs 15 to 20 of the Basis for Conclusions.)

4. Yes, we agree with the proposed amendments to exempt most qualifying entities from the disclosure requirements in IFRS 18 related to MPMs on the basis that it will not be cost-effective to require most qualifying entities to apply these requirements.
5. We also agree that qualifying entities should only be required to disclose information on MPMs in the circumstances identified by the FRC, for example if they have debt or equity instruments that are publicly traded.
6. IFRS 18.118 identifies subtotals of income and expenses that are not considered MPMs. Where an entity applying FRS 101 adopts a statutory format as prescribed by UK regulations for its profit and loss account, there is a risk that its subtotals may not be compliant with IFRS 18 (for example, because operating profit is not a defined line item in UK regulations). Under the proposals, it is not clear whether IFRS 18.118 would apply to subtotals in a profit or loss account prepared using a UK statutory format. We therefore recommend that the FRC provides guidance on whether subtotals of income and expenses calculated from a profit and loss account prepared using a UK statutory format might be considered equivalent to the subtotals in IFRS 18.118 and, therefore, not MPMs.

Question 1(b)

Do you agree that qualifying entities should be exempt from the requirements of paragraph 83(b) of IFRS 18, which in some circumstances requires an entity to disclose a disaggregation of specified expenses classified by nature? Why or why not? (See paragraphs 21 to 23 of the Basis for Conclusions.)

7. Yes, we agree with the proposed exemption. We believe that the disclosures required by IFRS 18.83(a) will provide sufficient information for users of qualifying entities' financial statements without the need to disclose a disaggregation of specified expenses classified by nature as per IFRS 18.83(b).

Question 1(c)

Amendments are proposed to maintain extant exemptions that apply to requirements in IAS 1 that have been retained in IFRS 18 or moved to other IFRS Accounting Standards by IFRS 18, but, other than as set out above in Questions 1(a) and 1(b), no other exemptions to IFRS 18 requirements are proposed. Do you agree with this approach? Why or why not? (See paragraphs 12 to 14 and paragraph 24 of the Basis for Conclusions.)

8. Yes, we agree with the proposed amendments.
9. We do not recommend any further exemptions to IFRS 18 beyond those mentioned in Questions 1(a) and 1(b). We agree that the remaining IFRS 18 disclosure requirements will lead to the inclusion of useful information in qualifying entities' financial statements without being unduly burdensome for preparers to comply with.

Question 2

Do you agree that an entity that applies FRS 101 should not apply IFRS 19? Why or why not? (See paragraphs 32 to 33 of the Basis for Conclusions.)

10. Yes, we strongly agree that entities applying FRS 101 should not apply IFRS 19. While the objective of IFRS 19 is similar to that of FRS 101, the International Accounting Standards Board's approach to the development of IFRS 19 differed from the FRC's approach to the development of FRS 101 such that there are significant differences between the two. We therefore support the FRC's view that it would not make sense for a qualifying entity to apply both IFRS 19 and FRS 101.

Question 3

Do you have any other comments on the proposed amendments to FRS 101?

11. We have no other comments.

Question 4

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

12. Yes, we agree with the conclusion of the impact assessment that, following the proposed amendments to FRS 101, the standard will continue to have a positive impact on the cost-effectiveness of the preparation of qualifying entities' financial statements.