

Upcoming changes to FRS 102

September 2025

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As we navigate the evolving landscape of financial reporting, the recent updates to FRS 102 represent a significant step forward in enhancing transparency and consistency.

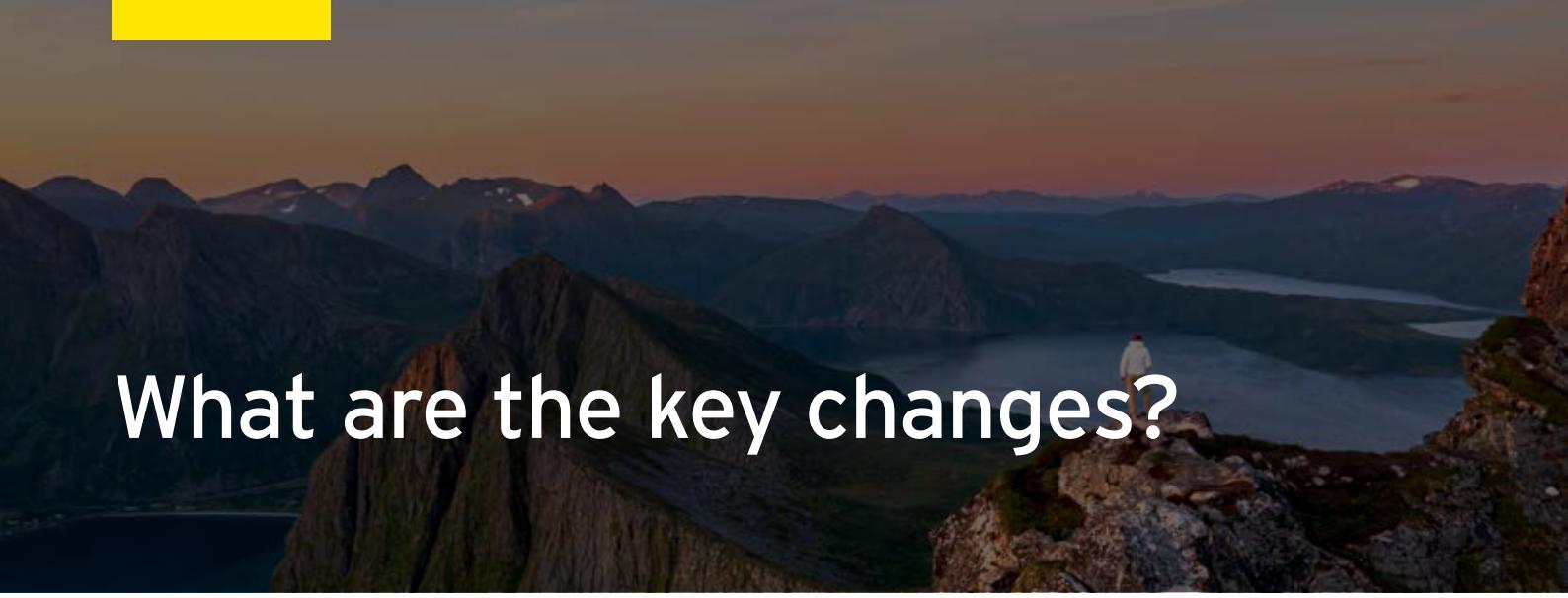
Aligning with international standards, particularly in leases and revenue recognition, enhances transparency and simplifies the reporting process.

We are committed to supporting our clients through this transition, ensuring they are well-prepared for the changes effective from January 2026.



Vickie Wall

Partner, Financial Accounting Advisory Services (FAAS)



What are the key changes?

Leases

- On-balance sheet lease accounting for lessees, as a right of use asset and lease liability
- Lease expenses to be presented as depreciation and interest, impacting EBITDA and key metrics

Revenue

- Entities will need to review contracts and apply five-step model potentially impacting timing of revenue recognition
- In particular, the treatment for contracts that have bundles of goods/services, variable consideration, warranties, customer options, or significant financing components may change

Other key changes

- Section 1A Small Entities, more clarity on which disclosures are expected to be necessary in order to give a true and fair value as required by law
- Section 2 Concepts and Pervasive Principles and 2A Fair value measurement updated to align with latest international framework and provide additional guidance
- Section 7 Statement of Cashflows, new disclosure requirements about supplier finance arrangements (effective 1 January 2025)
- Section 26, Share-based Payment, additional guidance aiding application of the principles in certain situations
- Section 29, Income Tax, introduction of guidance on accounting for uncertain tax positions
- Section 34, Specialised Activities, various improvements and clarifications to clarify existing requirements



How can EY help?

Workshops

- Deliver tailored workshops for finance teams focused on key updates arising from FRS 102 (R) and potential impact
- Identify next steps for implementation

Impact Assessment

- Analyse your current accounting policies and assess how they are impacted by the amendments
- Identify customer contracts and lease portfolio accounting impacts
- Help design a transition plan

Accounting Policies and financial statements

- Assist you in drafting accounting policies
- Support you in drafting relevant financial statement disclosures
- Provide narratives on changes to key metrics

Quantification of the impact

- Analyse lease and revenue contracts, extract the data and determine the estimated impact on adoption
- Assist in determining key judgements such as discount rate for lease accounting and performance obligations for revenue recognition

Systems, Processes & Technology

- Advise on software requirements & options
- Provide support with revised controls and processes
- Assistance with updates to chart of accounts

Contact



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